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Quake Challenges Detection Methods

By Jay Matthews Washington Post Service PASADENA, California — A preliminary investigation of Thursday's earthquake indicates that it originated in a previously unknown extension of the Whittier Fault...



Apartment dwellers in Los Angeles decided that camping out was the wisest choice after Sunday morning's tremor.

Saudis Mobilized As Iran Flotilla Nears Oil Fields

By Patrick E. Tyler Washington Post Service DUBAI, United Arab Emirates — Saudi Arabia conducted a full military mobilization, including land troops, and sent an urgent warning to Iran that it was ready to "make a stand" against any attack after Iran launched about 60 armed speedboats against a Saudi offshore oil installation...

U.S., Canada Reach Free Trade Pact

By Stuart Auerbach Washington Post Service WASHINGTON — The United States and Canada, the world's two largest trading partners, beat a weekend deadline and reached an historic free trade agreement that will greatly reduce tariffs and other trade barriers.

U.S. to Give Managua Conditions for Forestalling Contra Aid

By Joel Brinkley New York Times Service WASHINGTON — After weeks of debate over its Central American policy, the White House has settled on a list of demands the Nicaraguan government must accept to forestall a request to Congress for renewed military aid in anti-government rebels.

Kiosk Kaunda's Son Died of AIDS

LUSAKA, Zambia (Reuters) — President Kenneth Kaunda revealed Sunday that his son had died of AIDS, and appealed to the international community to unite in combat against acquired immune deficiency syndrome.



Jean Anouilh, the French dramatist, died in Lausanne, Switzerland, at 77. Page 4.

GENERAL NEWS Carlos Salinas de Gortari was named as the ruling party's candidate for president in Mexico, winning election. Page 5.

SPORTS Detroit beat Toronto 1-0, and won the American League East title. Page 13.

BUSINESS/FINANCE OPEC's president said the cartel's crude oil production will be cut in September. Page 7.

MONDAY Q&A Howard Kuzar, a currency analyst, discusses the effect of the dollar's recent strengthening. Page 9.

Race Becoming Intense To Succeed Nakasone Continuity of Policies Is a Certainty

By Clyde Haberman New York Times Service TOKYO — Japan begins this week the formal process of choosing its next prime minister, arguably the most important position of dubious influence in the non-Communist world.

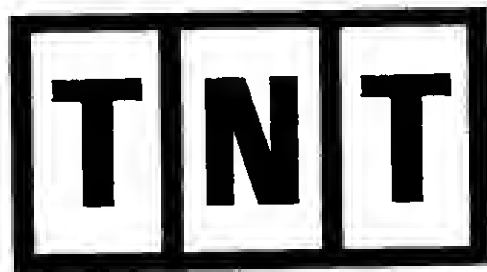
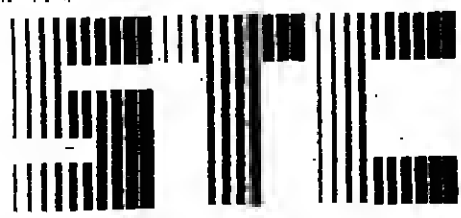
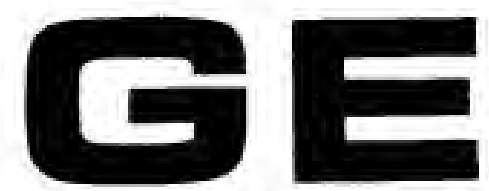
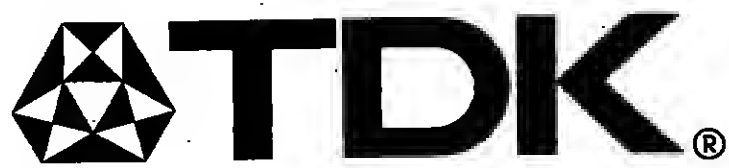
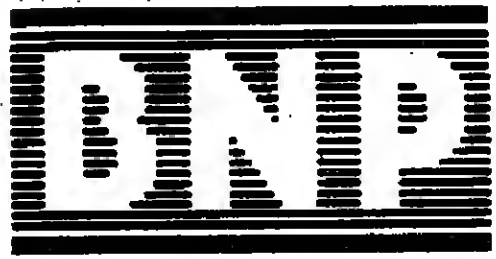


Tremolino Wins \$650,000 Prix De l'Arc de Triomphe in Paris The French owner Paul de Moussac, left, congratulating his horse Tremolino and the Irish jockey Pat Eddery on Sunday after Tremolino came from deep in the 11-horse field to win the Prix de l'Arc de Triomphe at the Longchamps racetrack in Paris. The 4-million-franc (\$650,000) purse is the richest in European racing. The favorite, Reference Point, came in eighth. Page 13.

London Hearts Know Where the Wild Goose Goes

By Howell Raines New York Times Service LONDON — Autumn is settling over London, bringing all its familiar glories and one distinct surprise for any American with a homesick ear.

One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.



WHICH ONE IS NEW?

You probably recognize all but one of these famous company names.

May we introduce the newcomer - KPMG. Previously, as Peat Marwick and KMG we were, of course, well known.

Now we have come together to form the world's largest firm of accountants and

consultants. A firm that happens to have worked with all of these famous names.

We haven't merged in order to be the largest, but to provide an even greater breadth and depth of service than before.

Through our 650 offices in over 100 countries we provide integrated accounting,

auditing, tax and management consulting anywhere in the world.

Through our policy of total commitment to client service we offer clients large and small the close, personal attention of a partner.

KPMG - initially you may not have recognized us. Now you will.

Negotiations With Spain On U.S. Troop Presence Are Stymied, Aides Say

By Paul Delaney
New York Times Service

MADRID — Facing a Nov. 13 deadline, U.S. and Spanish negotiators remain as far apart as ever in their search for an agreement on the future of American military forces in this country.

Negotiations, begun in July 1986, are scheduled to resume here in two weeks, but officials of both sides say there is little sign of progress.

Spain insists that the 14,000 American troops in the country be cut back and a squadron of 72 F-16 jet fighters be removed. U.S. officials say they have accepted the demands, but only with the proviso that Spanish armed forces, under NATO control, assume the tasks being abandoned by the Americans.

These conditions, the Americans say, have been rejected by the Madrid government.

The impasse has fostered frustration and tension among officials of the two countries and their allies, with each side privately accusing the other of ignoring its political problems.

Spanish officials say compromise could be an admission of weakness that could inflame a mortal blow to the Socialist government's declining political fortunes.

When it was campaigning

against a referendum in March 1986 to withdraw Spain from NATO, the Socialist prime minister, Felipe Gonzalez, assured wavering voters that American troop levels would be reduced, particularly at Torrejon Air Base near Madrid, where the F-16s are based.

Since then, the Socialists have been shaken by demonstrations and strikes that resulted in substantial losses for the party in regional and local elections in June. Officials fear that any concession on the American bases would further erode the following of the Socialists.

"With everything that has gone on, it is now impossible for us to change," a Socialist official said. "You may say that the NATO referendum was a mistake and you may be correct. But that is a fact now."

American officials say they fear that if the United States consents to sweeping restrictions on its military presence in Spain, other nations, especially Greece and the Philippines, could follow suit.

Portugal has also threatened to take a new look at American bases in the Azores, and Turkey has expressed dissatisfaction with what it perceives as U.S. favoritism toward Greece in its territorial dispute with Turkey in the Aegean Sea.

In the year of talks, the Americans offered compromises that were rejected as Spanish officials held fast.

"We've already agreed that the troops should be reduced," a U.S. official said. "We've also agreed to remove the planes — but with the proviso that the cuts be made up by Spanish forces and that Western security is not diminished."

The negotiations really are only about what happens when we leave, making certain security and NATO obligations are maintained," the official added. He cited such concerns as fleet support, communications, surveillance of the western Mediterranean, logistics, training and tactical air power.

Besides Torrejon, the United States shares air bases with the Spaniards at Saragosa and Moron, a huge navy base at Rota and communications posts at Melilla and Ceuta, two Spanish enclaves in North Africa.

The 34-year-old treaty that established the Spanish bases expires May 13. If Spain decides not to renew, it must inform the Americans six months before that date.

Spanish officials resist integrating its armed forces under NATO command. They have said they believed that the United States was more concerned with Mediterranean than Spanish security.



Jean Anouilh, French Playwright, Is Dead at 77

Compiled by Our Staff From Dispatches

LAUSANNE, Switzerland — Jean Anouilh, widely considered to be one of the 20th century's greatest playwrights, died Saturday after a heart attack, a family member said Sunday. He was 77.

The French dramatist, who had lived in Switzerland for many years, died at the Vaudois University Hospital Center in Lausanne.

Mr. Anouilh, known for dramas such as "Antigone" and "Becket," won acclaim for plays and screenplays that are technically deft and thoroughly human.

He wrote his first play at 19, but his initial success came with "The Ermine" in 1932.

Other dramas included "The Waltz of Toreadors," written in 1952, and "The Lark," written in 1953 and dealing with the spiritual adventure of Joan of Arc.

"It is a great writer who has disappeared, one whose works have marked the French theater," said President Francois Mitterrand of France.

"I write plays as a chair-maker makes chairs," Mr. Anouilh once said. "Chairs are made to be sat on, and plays are made to be played, to provide actors with work and the public with entertainment."

"But aside from practical purposes, a play, like a chair, can be designed with artistry."

Mr. Anouilh divided his works into two categories: "black" plays and "rose" plays.

Among his best known black dramas was "Antigone," a modern-day version of the classical Greek tragedy that pits the idealism and purity of youth, symbolized by Antigone, against hard-nosed reality and pragmatism, incarnated by Creon.

Performed worldwide after he wrote it in 1944, the play turned Mr. Anouilh into something of a national hero for French audiences, who interpreted it as a Resistance play and applauded the author's defiance of the German authorities.

Mr. Anouilh's plays set moral

men and women in an immoral world. His heroes and heroines reject a society they believe is vulgar and corrupt and live on the fringes.

"I am a comic misanthrope," he once said. "I am surrounded by foulness, the world is foul and it is plain to see."

Jean Anouilh was born June 23, 1910, in Bordeaux, where he spent his early childhood and adolescence.

He studied law briefly and then joined an advertising firm, an experience he would later say had taught him "to be ingenious and exact."

Mr. Anouilh developed a passion for the theater while still a student. From the balcony, he saw the great theatrical productions of the 1920s by Louis Jouvet, Francis Coppeau and Charles Dullin. One of his fondest memories was watching a performance in 1928 of Jean Giraudoux's "Siegfried."

"It changed all my notions about theater," he said. "How I wept."

In addition to his plays, Mr.

Group Faults U.S. on Glasnost

Bipartisan Panel Says West Isn't Responding Creatively

By David K. Shipler
New York Times Service

WASHINGTON — A bipartisan task force of 40 Americans, including advisers to several Republican and Democratic presidential candidates, has expressed concern that the United States and other Western countries are failing "to respond creatively to the opportunities offered by the new directions in Soviet policy" under Mikhail S. Gorbachev.

In a 38-page report made public Saturday, the group urged stepped-up talks on conventional arms reductions, regular summit meetings, the possible relaxation of trade barriers if Soviet human rights performance improves, Soviet observer status in international financial institutions like the International Monetary Fund, Soviet-American cooperation in the Middle East and other steps designed to identify and exploit overlapping interests.

The task force, assembled by the Institute for East-West Security Studies in New York, was made up of "centrist Republicans and centrist Democrats," said John Edwin Mroz, the institute's president.

The group, which met six times in eight months, included specialists on the Soviet Union, former government officials, industrialists, journalists and others interested in foreign policy. Its co-chairmen were Whitney MacMillan, chairman of Cargill Inc., an agricultural business organization, and Joseph Nye, director of the Center for Sci-

ence and International Affairs at Harvard University.

Although the members participated as individuals, the involvement of several of them in various presidential campaigns seemed to underscore the broad impact that Mr. Gorbachev's effort to liberalize Soviet society has had on Americans' thinking.

Mr. Mroz named those active in campaigns as Kenneth W. Dam, a former deputy secretary of state now associated with Vice President George Bush; Rita Hanser, a lawyer supporting Senator Bob Dole, Republican of Kansas; Mr. Nye, who is close to Governor Michael S. Dukakis of Massachusetts; and Stephen Swid, chairman of SBK Entertainment World, who supports Senator Paul Simon, Democrat of Illinois.

Their report began with an analysis of the Gorbachev policies, both domestically and internationally, and rejects what Mr. Nye called the two main streams of skepticism about the changes. One is, "Gorbachev won't last; let's wait and see if he's real," Mr. Nye said. The other is, "Whatever Gorbachev is doing, it must be a trick."

"But it's not a trick," Mr. Nye said. "It's deeply rooted in their domestic difficulties," particularly their poor economic performance. "And that is something we're not taking advantage of."

How long the changes will last is less clear, especially glasnost, or openness, with its modicum of pub-

lic debate. But even if Mr. Gorbachev were to be forced out of office by some monumental event, or if adverse economic developments forced some of the changes to be trimmed back, Mr. Nye said he saw the shifts as "more than a question of personality."

"What we're seeing is a combination of generational change in the Soviet Union," he said. "It's rooted in the fact that Brezhnevism and all the remnants of Stalinism were a miserable failure, and they're beginning to realize it."

The report took a cautious but conciliatory tone. "While the Soviet Union remains a closed communist society," it said, "Gorbachev has challenged a whole series of ingrained practices and attitudes from strictly centralized economic management to an often-militarized foreign policy."

On arms control, the task force urged the West to push for reductions in long-range weapons and an agreement on chemical weapons. On President Ronald Reagan's idea for a space-based defense system, the report said only that "both sides need to find ways to strengthen the ABM treaty and to insure that any research on strategic defensive systems is consistent with preservation of the treaty."

The group also suggested that the United States "should consider" linking reductions in trade restrictions to a relaxation of Soviet obstacles to Jewish emigration.

Nearly 100 Arrested in Basque Raids

BILBAO, Spain — The Spanish police detained eight more people Sunday in a crackdown on armed Basque nationalism in France and Spain, bringing to almost 100 the number of arrests made over the weekend.

Officials said the police in the Basque towns of Bilbao and San Sebastian were questioning nine Spanish Basques who were detained in France on Saturday and immediately handed over to the Spanish authorities.

One of the nine was a priest, the Reverend Ramon Landera Martin, the officials said.

French authorities arrested at least 91 people in a series of raids Saturday, leading to protests by French and Basque residents of the southwestern city of Biarritz.

France expelled two Spanish Basques on Saturday bringing to 92 the number of guerrilla suspects sent across the border since France and Spain agreed in July to clamp down on separatist activity.

The police said they had seized files listing dozens of names and addresses of people suspected of supporting of ETA, the Basque separatist group, and of the Basque separatist movement Iparratarak.

Helicopters hovered over isolated mountain hamlets as 500 police officers set up road blocks and raided hundreds of homes in Bayonne, Biarritz, Saint-Jean-de-Luz and a score of villages.

Follow-up searches were also carried out in five cities across France, the police said.

Violent protests against the raids erupted in Biarritz in the afternoon. Police officers with sticks charged 100 to 200 demonstrators who gathered in response to a call by Spanish Basques in France to break up after an hour.

The crackdown came after the arrest earlier this week of the military commander of ETA Santiago Arraizola Zuzarraga and of another man suspected of being an ETA leader in the Pradesa Basque.

In Madrid, five Basques who formed an ETA commando unit were sentenced Friday to 12 years each in charges of possessing weapons and belonging to an armed group.

AFP, Reuters

GULF: Saudis Mobilized as Iran Flotilla Nears Its Coast

(Continued from Page 1)

cutler in the week near Kharg Island and that the force had begun moving across the waterway by Friday. The sources said that, based on intelligence reports from the region, U.S. and Saudi officials believed the assault force intended to attack at least two platforms in the Khafji field.

The earnings from the field's output of 300,000 barrels a day are donated by Saudi Arabia and Kuwait to Iraq, which is fighting Iran in the Gulf war.

Sources in Washington and the Gulf said a U.S. air strike warning and control systems planes, known as AWACS, tracked the Iranian boats across the Gulf as they sped toward the Khafji field. Shipping sources said some workers on offshore oil platforms in the area reported seeing about a half dozen unidentified warplanes diving on the Iranian boats, but reported no signs of weapons being fired.

"The Iranians pulled back and disappeared into the night," said a Western official in the Gulf.

A source in Washington said the Saudi Arabian government sent an emergency message to Tehran as the flotilla was zigzagging across the Gulf Friday night.

According to this source, the Saudi government was convinced the flotilla intended to attack on-

FAULT: Methods in Doubt

(Continued from Page 1)

look for other hidden faults. But they acknowledge that their efforts are limited by the great depth involved and the expensive equipment required.

Jerry Eaton, a research seismologist at the Geological Survey office in Menlo Park, near San Francisco, noted that scientists did not immediately accept the notion that the visible areas of slippage, or faults, on the earth's surface signaled earthquake zones.

Ms. Jones said the initial data indicated that the Whittier Fault, of the common vertical type with visible slippage lines on the surface, plunges underground and twists until it forms a broad, nearly horizontal fracture zone eight miles down.

She and Mr. Eaton said hills formed by a buckling of the Earth's surface, provide one clue to the existence of horizontal faults underground.

Scientists at the California Institute of Technology have found on file a graduate student's report that reveals such hills in the area where Thursday's earthquake occurred.

Seismologists from Cornell University and some other laboratories are attempting to detect such faults and other subtle features of the Earth's crust, using heavy equipment that sends vibrations into the ground and delicate instruments that detect the echoes off underground faults.

"The existence of these faults is no real cause for panic," Mr. Eaton said, but it underlines the need for increasing the number of seismograph stations and carefully studying all newly recorded quakes.

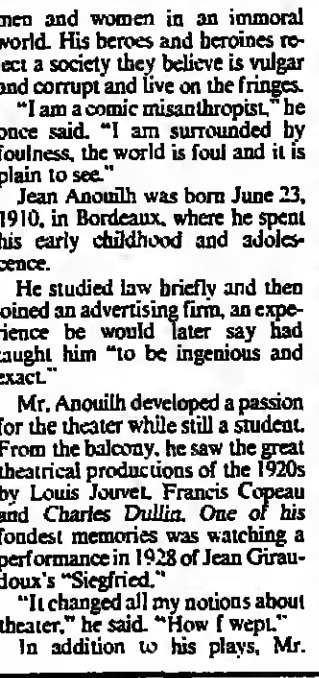
French See Iran Attack

The Georges Leygues, a French warship armed with Exocet missiles and cannons, watched Iranian Revolutionary Guard boats attack a Pakistani oil tanker but made no move to intervene during the 10-minute assault, the captain of the warship said Sunday, United Press International reported from Bahrain.

The captain, Gerrard Gazzano, said his ship witnessed the ambush Thursday from a distance of 3 to 4 miles (5 to 7 kilometers), just inside the Strait of Hormuz, as the warship trailed behind the French-flagged 239,000-ton supertanker Chaumont.

Captain Gazzano said French rules of engagement prohibited a unilateral decision by the captain to attack the Iranians.

WHERE THE QUAKE STRUCK



LIST: Managua Terms

(Continued from Page 1)

sands of political prisoners free. Let the exiles come home. Allow freedom of worship, free labor unions, a free economy. Dissolve the so-called 'neighborhood committees' and give the people of Nicaragua back their basic human rights.

"And last but not least, send the Soviets and the Cubans home."

These are among the White House demands on Nicaragua that are not included in the Guatemala agreement:

- Negotiate a cease-fire with the contras either directly or through a third party, instead of merely declaring a partial, unilateral truce. Mr. Turner said his government was willing to accept that Cardinal Miguel Obando y Bravo, the Roman Catholic primate of Nicaragua, "could play an active role" in negotiations with the contras.
- Free all political prisoners. About 2,300 of them, mostly former members of the National Guard during the rule of General Anastasio Somoza, are still in prison. Some have already been freed, and others will be released in the months ahead, Mr. Turner said. But some of them, he added, "are responsible for such atrocious crimes that they will never be pardoned because the Nicaraguan people would not accept it."
- Disband neighborhood committees, formally known as Sandinista Defense Committees. The committees distribute food ration cards, supervise registration for military draft and monitor any dissident behavior.
- Reduce the size and power of the military so it is in proportion with the military of Nicaragua's neighbors. The Guatemala plea calls for eventual regional negotiations on this point, and Nicaragua has pledged to take part. Mr. Turner said his country would be willing to consider "a reduction in some offensive weapons."

El Salvador, Rebels Open Peace Talks

(Associated Press)

SAN SALVADOR — Government leaders and leftist rebels met Sunday for their first public talks in three years to discuss ways of ending El Salvador's eight-year civil war.

The last public negotiations between the government and the rebels ended in discord on Nov. 30, 1984.

The two sides are still far apart on major issues, and the talks began nearly five hours behind schedule because of the late arrival of the rebel delegation. The rebels accused the Salvadoran army of causing the delay by impeding the travel inside the country of two of their delegates.

First to arrive at the Vatican Embassy for the negotiations were government representatives led by President Jose Napoleon Duarte.

The rebels arrived moments later and a Roman Catholic Church spokesman said the delegations had lunch together and then opened talks.

A block from the embassy, several thousand demonstrators gathered in an open field. The crowd was divided between government supporters waving white banners and members of leftist groups waving red ones, with the anti-government demonstrators appearing to have a substantial edge in numbers.

The two groups shouted insults and competed for attention over separate public address systems. There were no major incidents of violence.

AFTERSHOCK: L.A. Is Struck

(Continued from Page 1)

forced officials to temporarily close some roads and freeways.

A seismologist at the California Institute of Technology, Kate Hutton, said major aftershocks usually occur within a day of the original temblor, so the nearly three-day delay was a surprise.

The largest aftershock before this morning occurred within an hour of Thursday's quake and registered 4.4 on the Richter scale.

Sunday's 5.5 magnitude aftershock was the 23d since Thursday that measured more than 3.0.

It was followed by shocks of 3.0 magnitude at 4:09 A.M. and 4:56 A.M. and one of 3.6 magnitude at 7:05 A.M., adding to the difficulty of getting back to sleep.

Several hospitals reported treating cuts and bruises, and one person was hospitalized with a broken back.

Rock slides and falling concrete

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AMERICAN TOPICS

Eiffel Tower Joins In Trib Birthday Bash

The International Herald Tribune has celebrated its 100th anniversary in what Reuters called a gathering of the cream of the journalistic world in France and the United States.

The tower, only half built when the Trib first published in 1887, duly dimmed.

The gala was part of the \$2 million festivities organized by the paper for its centenary year.

Washington, New York and Paris.

Short Takes

The Department of Agriculture plans to reclassify lean beef from "USDA Good" to "USDA Select" to improve the image of low-fat beef and to encourage consumption of leaner cuts of meat.

Mayor Henry Maier of Milwaukee plans to build the world's largest fountain, one that will spout water 600 feet (180 meters) into the sky over Lake Michigan.

Former President Richard M. Nixon has been telling friends that President Ronald Reagan will survive the Iran-contra crisis because he can always say, "I was stupid."

Notes About People

Johnny Carson, 61, observed his 25th anniversary as host of the late-hours "Tonight Show" by telling his audience, "I was going to hang it up. But I found I was having so much fun, I wanted to stick around awhile. So if you want to stick around, we'll stick around."

John C. Tower, who headed the special presidential commission that investigated the Iran-contra affair, is writing a book that calls the arms scandal part of a growing conflict between Congress and the president over the making of foreign policy.

Former President Richard M. Nixon has been telling friends that President Ronald Reagan will survive the Iran-contra crisis because he can always say, "I was stupid."

Why They Are Called Washington Redskins

The current debate in The Washington Post letters column

over where the capital's professional football team, the Redskins, got their name, apparently has been settled by Jordan Harri-son Price. She is the granddaughter of the late George Prestoo Marshall, who founded the team in Boston in 1932.

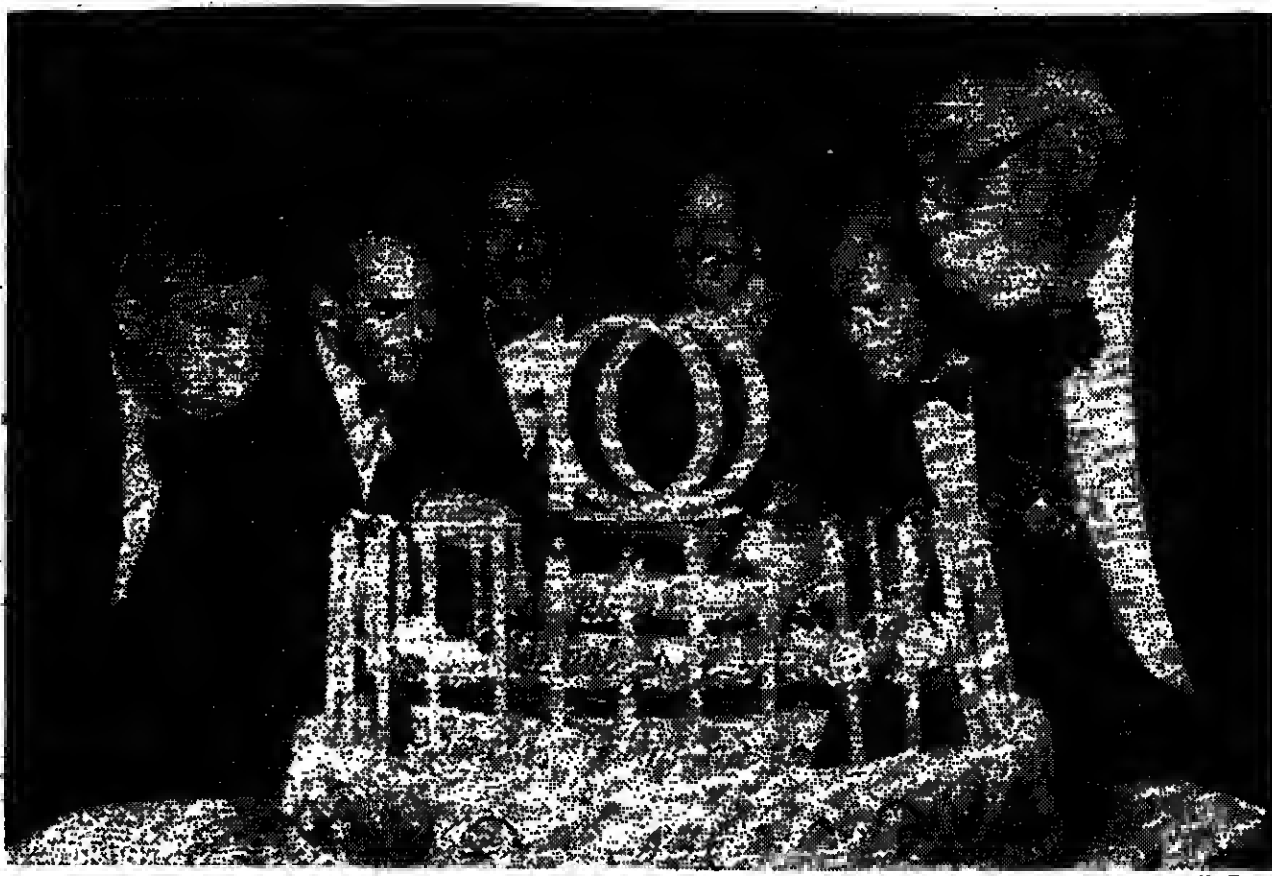
Some say the name's origins are racist, Mrs. Price noted. "Others contend they were named to honor the brave patriots of the Boston Tea Party who dressed up as Indians and threw bales of tea into Boston Harbor."

"But when Marshall moved his football Braves over to Fenway Park," home of Boston's other baseball club, the Red Sox, "the baseball Braves strenuously objected to his continuing to use the name 'Braves,' since they were no longer playing in Braves Field."

So Marshall picked an approximate synonym, Redskins, "because he had always been an admirer of the American Indians, and because one of the team's coaches, 'Lone Star' Dietz, was himself an American Indian."

Mrs. Price did not try to establish here the baseball Braves got their name.

—ARTHUR HIGBEE



Blowing out the candles Saturday night on the International Herald Tribune's birthday cake at the Trocadero gardens were, from left, Lee W. Huebner, publisher; John Vinocur, executive editor; Arthur Ochs Sul-

berger of The New York Times and Katharine Graham of The Washington Post, co-chairmen; Walter N. Thayer of Whitney Communications Co., president of the Trib, and the humorist and columnist Art Buchwald.

Reagan Steps Up Drive For Bork Confirmation

WASHINGTON — President Ronald Reagan on Sunday dismissed assertions that Judge Robert H. Bork's Supreme Court nomination was dead and vowed to keep fighting to put Mr. Bork on the high court.

Mr. Reagan, speaking with reporters upon his return from a weekend at Camp David, Maryland, was asked whether the nomination was finished.

"No," he said. Asked whether he was considering withdrawing Judge Bork's name from Senate consideration, Mr. Reagan said, "I'm going to continue with his nomination."

Asked then about his policies involving Central America, Mr. Reagan said, "I'm fighting another war," adding later, "Bork."

As the president returned to Washington, his spokesman, Martin Fitzwater, said that the White House was planning to crank up its campaign for Judge Bork.

Mr. Fitzwater said the White House had a full week of activities scheduled to keep the nomination battle in the forefront of the president's schedule.

The spokesman declined to be specific, saying only, "You'll see something every day."

Senator Orrin G. Hatch, Republican of Utah, said Mr. Reagan intended to press for a full Senate vote on Judge Bork even if the Senate Judiciary Committee failed to accept his nominee.

Mr. Hatch, an early supporter of Judge Bork, also said Mr. Reagan would not withdraw the selection even if an overwhelming number of senators stated their opposition.

"The president has authorized me to say on this program this morning that he's going to press through to conclusion, to a vote on the Senate floor," Mr. Hatch said

on television. "And I believe that that's going to be about two weeks from now."

Mr. Hatch, a member of the Senate Judiciary Committee, said he believed the president would succeed in turning the tide.

Mr. Reagan used his weekly radio address Saturday to speak on behalf of Judge Bork and charged that "liberal" opponents of the nominee were trying to intimidate judges and to "thwart the desire of the American people" for justice.

"We have to follow through, win or lose, and I think we will win in the end," Mr. Hatch said. "I think the American people are going to find out how really important this is."

The committee is scheduled to vote Tuesday on the nomination. Senator Howell Heflin, Democrat of Alabama, an undecided member of the committee, said he would take a stand Tuesday, basing his decision on whether Judge Bork is a "conservative or an extremist."

"I think the issue comes down to is he a conservative, will he be a jurist that will not believe in judicial activism, and I've supported all but two out of 320 some odd appointments that the president has made," Mr. Heflin said on the same program.

"On the other hand, is he an extremist that has in the back recesses of his mind a real radical right-wing agenda that he would like to see the court follow during the next several decades," he said.

As of Friday, 32 senators had declared they would vote for Judge Bork and 27 have said they would oppose him, according to a count kept by The Associated Press. The rest were unwilling to state a position.

Cuomo Calls Rumor About Family False

WASHINGTON — Governor Mario M. Cuomo of New York has said that rumors have been spread that he is not running for president because of past misdeeds by his family, including his wife's parents.

Mr. Cuomo, in a telephone conversation he initiated, emphatically denied any wrongdoing in his family's past. He declined to elaborate on the rumors, saying he did not want to give them currency.

Mr. Cuomo, a Democrat, repeated that he was not running for president. But he said that "if anything could change" his mind about the race, it would be the notion that he was not running because of past actions of his family.

"It would be the thought that they were using that Italian-American stereotype and that my not running was feeding it. That's one thing that would make me go out of my mind."

"I keep hearing in-laws" he said. "Why would anybody say in-laws?" He was apparently referring to gossip that an investigation could turn up something embarrassing.

Mr. Cuomo initiated the phone conversation on Saturday with The New York Times, saying he wanted to know about the spread of rumors about his family after he was interviewed Friday for the CBS News program "Face the Nation."

Mr. Cuomo said on the program, broadcast Sunday, "I'll never be president."

"I have no great desire to prove that I could get to the top of the heap," he said. "I won't get a chance because the Democrats are going to be in place for eight years and by then I will be a vague whisper of a footnote in the book of New York State life."

3 Ex-CIA Chiefs Not Surprised Casey Met Woodward

By David B. Ottaway Washington Post Service

WASHINGTON — Three former CIA directors have said they are not surprised that William J. Casey met repeatedly with Bob Woodward of The Washington Post. They were divided, however, over whether Mr. Casey was responsible for revealing delicate CIA secrets to Mr. Woodward.

Two of the three expressed concern that revelations in Mr. Woodward's book "Veil: The Secret Wars of the CIA, 1981-1987" could damage U.S. security interests.

The book has revived the debate over who was responsible for leaks to the press about covert operations under Mr. Casey.

Mr. Casey repeatedly blamed members of the Senate and House intelligence oversight committees for most of these disclosures, and Mr. Woodward quotes him as saying at one point, "I told you congressional oversight can't work. Those bastards all leak."

The book raises questions, however, about whether Mr. Casey or his lieutenants were active "leakers" themselves.

The book also raises questions about the adequacy of congressional oversight of the CIA, most dramatically with its description of Mr. Casey circumventing Congress and his own agency and using the Saudi intelligence service to attempt the assassination of a Lebanese Shiite leader.

Its assertions about the Central Intelligence Agency electronically "bugging" leaders of friendly governments, such as President Hosni Mubarak of Egypt, provoked concern that Mr. Woodward, an assistant managing editor at The Post, compromised U.S. national security.

The former CIA directors, Stansfield Turner, William E. Colby and Richard Helms, said last week in separate interviews that they did not find Mr. Casey's reported decision to see Mr. Woodward repeatedly as something unusual, particularly once Mr. Casey knew the reporter was writing a history of his leadership of the agency.

"I don't find it extraordinary at all," said Mr. Turner, CIA director from 1977 to 1981. "He wanted to put his best foot forward, and it was better a guy like Woodward understood him."

Mr. Turner called it "a case of the biggest con man in the country taking on the best reporter, and I think the con man won."

He said of Mr. Woodward, "Bob very faithfully reprints Casey's views on these matters, and I think that's what Casey wanted."

Mr. Turner did find it "very improper" that Mr. Casey saw Mr. Woodward as often as Mr. Woodward says he did, given Mr. Casey's concern about leaks.

Mr. Helms, CIA director from 1966 to 1973, noted that he had had lunch often with reporters, usually at the old Occidental restaurant on Pennsylvania Avenue next to the Willard Hotel. "It became a joke around town," he said.

"It was a perfectly open and aboveboard relationship," he said.

"I simply did not discuss classified matters. Period."

Mr. Helms said he did not pretend to know what the relationship between Mr. Woodward and Mr. Casey was all about, but he ex-

pressed some doubts about the veracity of parts of the Woodward account, particularly the last scene, where the dying director is said to have admitted he knew of the diversion of Iranian arms sales funds to Nicaragua rebels.

"It's a different book with Casey dead," he said, suggesting that Mr.

Woodward might have put words in Mr. Casey's mouth that he would not have done if Mr. Casey were alive to contest their veracity.

Mr. Woodward, in response, said that almost the entire book had been completed before Mr. Casey's death and that the only changes afterward concerned details of the Iran-contra affair brought out during congressional hearings.

Mr. Turner was less charitable toward Mr. Casey. He charged that Mr. Casey and Lieutenant Colonel Oliver L. North, the National Security Council aide who was another key figure in the affair, were "two of the biggest leakers in town."

Mr. Colby, who headed the CIA from 1973 to 1976, concurred with Mr. Helms that Mr. Casey's decision to talk to Mr. Woodward was not unusual. He said that he had had a delicate relationship with Seymour M. Hersh, a New York Times reporter, over his articles about illegal CIA activities in the United States.

Mr. Colby indicated, however, that, like Mr. Helms, he had doubts that some of the direct quotes attributed to Mr. Casey were authentic. He also said he was not sure

from the Woodward book what Mr. Casey actually might have leaked to him and what he simply had confirmed when confronted with the reporter's questions.

Mr. Casey's former deputy at the agency, Bobby Ray Inman, said on the ABC News program "Nightline" last week that Mr. Woodward reported details of briefings that Mr. Inman had given Mr. Casey. Mr. Inman added that the details had not come from him.

Mr. Colby, Mr. Helms and Mr. Inman indicated last week that they were disturbed about the impact of some of Mr. Woodward's disclosures on U.S. security, specifically the CIA's cooperation with other governments and intelligence services.

Mr. Colby predicted that the book would result in "more trouble" for the U.S. government abroad and reinforce doubts among other secret services about whether they can share secrets and information with the CIA.

Mr. Helms, in an appearance Thursday on "Nightline," said he thought Mr. Woodward's book had done "grave damage" to U.S. interests abroad.

—Stansfield Turner, CIA director, 1977-81

Bush Apologizes for a Joke About Detroit

Washington Post Service

BRUSSELS — Vice President George Bush has apologized for an offhand comment — he says he intended it as a joke — suggesting that Detroit auto workers could use quality-control advice from Soviet mechanics.

Mr. Bush made the apology as he met reporters before returning to Washington after ending his 10-day European tour.

He made the remark on Friday after a meeting of ambassadors of the North Atlantic Treaty Organization in Brussels. After saying that he had been

informed of a Soviet military operation involving 350 tanks and that none of them had broken down, he added: "Hey, when the mechanics who keep those tanks running run out of work in the Soviet Union, send them to Detroit because we could use that kind of ability."

Owen Bieber, president of the United Auto Workers union, called the remark an "absolute affront to American workers and American ingenuity" and called on Mr. Bush to apologize.

Mr. Bush reacted immediately. "If I offended anybody, I'm very, very sorry because I didn't intend to," he said.

Salinas Is Chosen by Ruling Party In Mexico to Run for Presidency

By William A. Orme Jr. Washington Post Service

MEXICO CITY — Carlos Salinas de Gortari, Mexico's budget director and the chief architect of the country's economic reform program, was proclaimed the ruling party's candidate in the 1988 presidential elections here Sunday.

The nomination by party leaders, tantamount to election, was announced at a morning press conference by Jorge de la Vega Dominguez, president of the Institutional Revolutionary Party.

"You will be the next president of Mexico," Mr. de la Vega said as he presented Mr. Salinas, 39, to a rally outside party headquarters two hours later.

Mr. Salinas will step down from his cabinet post as Secretary of Planning and Federal Budget to be nominated by acclamation at the party convention later this month. The presidential election is to be held July 6, 1988, for a single, six-year term beginning in December. In its 58 years, the party has never lost a national election.

"Filled with emotion, I accept the party's decision," Mr. Salinas said at the rally, in a speech lauding the egalitarian ideals of the Mexican Revolution and the governance of President Miguel de la Madrid, his political benefactor.

To heal the wounds of a bitterly fought prenomination campaign, Mr. Salinas praised by name each

of the five other cabinet ministers who had sought to be the party's standardbearer.

"Our world is changing with great rapidity," Mr. Salinas said, pleading the case of economic and political "modernization."

Mr. Salinas "will put together a good government based on democracy, social justice, and on revolutionary continuity in the process of national renewal," Mr. de la Vega said.

The party's decision appeared uncertain until the moment of the announcement. From early dawn well-wishers had gathered at the house of another presidential aspirant, Attorney General Sergio Garcia Ramirez, to congratulate him for what had been erroneously announced in some local media as his designation.

Mysteriously, one of Mr. Salinas's strongest rivals, Energy Secretary Alfredo del Mazo Gonzalez, was quoted on the radio as expressing support for the party's "magificent choice" of Mr. Garcia Ramirez. Members of Mr. Salinas's political team saw the Garcia Ramirez boomlet as a last-minute attempt to derail the budget secretary's candidacy.

Mr. Salinas is a Harvard-educated economist respected for his intellect, his commitment to economic reform and his skills as a political fighter. Until recently, he was

perceived to be relatively unpopular among party regulars.

But on Sunday, in an impressive demonstration of the party's fabled ability to rally rank-and-file support for the leadership's choice, some 50,000 union and peasant party members enthusiastically chanted Mr. Salinas's praises at the rally outside party headquarters.

Mr. Salinas often is somewhat somber in public, in contrast to the easy self-assurance and wit that he displays in private. But on Sunday he was beaming and waving to supporters from the moment he boarded the bus that took him from his southern Mexico City home to the party office.

U.S. Records Sharp Rise In Near-Collisions in Air

The Associated Press PHILADELPHIA — Pilots reported 40 percent more near-collisions in midair this summer than during the same period last year, and 1987 could become one of the worst years for such incidents in more than a decade, The Philadelphia Inquirer said Sunday.

During June, July and August there were 334 reported near-collisions involving commercial and private planes compared with 238 for those months in 1986, the Inquirer reported, citing Federal Aviation Agency records.

Switzerland: on lake Geneva LA METAIRE CLINIC This long-established prestigious clinic in Nyon, Canton de Vaud, and just 20 minutes from the center of Geneva, is the only private psychiatric and addictive disease treatment facility of its kind in the region. In a picturesque setting, La Metairie Clinic combines the Swiss tradition for top quality psychiatric health care with the latest in American-style treatment program for alcohol and other addictions. All clinical services offered are under the direction of one of the full-time physicians at the facility and confidentiality is always respected. Psychiatric services include: Psychotherapy, Pharmacotherapy, Psychogeriatrics. The alcohol treatment program includes: Detoxification, Rehabilitation, Abstinence, Out-patient care, Family services. Paramedical activities: Ergotherapy, Physiotherapy, Outings, Gymnastics, tennis and other sports. Full details about La Metairie will be provided by completing the coupon below. For ADMISSIONS, please phone 41-22/61.15.81. I WOULD LIKE TO RECEIVE MORE INFORMATION ABOUT: [] Psychiatry/psychogeriatrics [] Alcohol treatment program [] La Metairie Clinic in general Name: Address: Town and country: Send to: The Administrator, Clinic La Metairie, Route de Bois-Bougy, CH-1260 NYON (Switzerland). The information will be sent in an unmarked envelope.

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Herald Tribune

Published With The New York Times and The Washington Post

With All Due Respect

A newspaper sets out on its 101st year. The news never stops.

Where is it going, all this news that never stops? We don't have a clue, of course. But we do have an idea.

The stock market was "as quiet as Russian politics," our inaugural edition reported from London, without being able to add that the October Revolution was still 30 years off. A Parisian advertisement for "a splendid mansion newly built" boasted in that first issue that the house was "lighted throughout with electric lamps." It was 40 years before Lindbergh, 58 years before Hiroshima, 82 years before Neil Armstrong's moon land. What could they know of the future, those editors, in October 1887? "Five hundred convicts," says the *Figaro*, have just sailed from Toulon on the Orne, bound for Cayenne." In 1987, Europe uses French Guiana for space shots.

If we really can't know, then no hope is absurd. What will you have? A golden age for Africa, say. Food and water plenty for a stabilized world population, certain-

ly. A new chivalry that abominates the anti-civilian weaponry of the 1980s... Some things we do know. The world will keep getting smaller. The century to come has to be a global lesson in respect.

A good newspaper, and singularly a global one, is a vivid circle of respect: journalists respecting the news and their readers, readers respecting and reacting to the paper. Looking out the window, IHT personnel in Paris see the autumn sky and know that it isn't fall at all in São Paulo or Sydney. This issue, the first of our new century, will be read there, and in Tokyo and Prague and Chicago. We're an American newspaper edited in France for all the world whatever its seasons.

That is no easy thing. And a good paper is smart, accurate, fair, quick, skeptical, generous, compact, complete, fun and very serious. It all takes the linked determination of hundreds of men and women in Paris and around the world.

The centennial parties are over and the good journey continues.

INTERNATIONAL HERALD TRIBUNE.

Sanctions Cut Both Ways

A requirement for review written into anti-apartheid legislation enacted last year is putting the question of sanctions against South Africa back on the American political agenda. It is a debate for which there is no obvious model. There is scant agreement on whether the sanctions voted last year (or a presidential veto were wise. The Reagan administration feels they have not worked and will not, and some part of the Congress feel they have not worked and will — if they are strengthened. Many others who detest apartheid are agnostic. A year's experience has shown sanctions cut both ways. They push the ruling white minority toward reform, but they also stiffen its resistance. Before considering new sanctions, more time and evidence are needed to calculate the net effect of old ones.

There is genuine uncertainty about which external actions promote and which retard internal change. Still, South Africa clearly is not only a society being torn apart daily by apartheid but one being touched increasingly by impulses toward reform. Whether these will produce a sustained wave is the

great question. It is evident that the various sources of change inside and outside South Africa are making a mark. Look at the items listed by Secretary of State George Shultz in a speech Sept. 29: the new In-daba constitutional proposals negotiated by all racial groups, the meetings of Afrikaners and the African National Congress, negotiations across racial lines by black trade unions and other groups.

Mr. Shultz reaffirmed the administration view that the primary sources of change in South Africa were internal and that U.S. influence was necessarily limited. He took the occasion to present a democratic vision of South Africa's future and to summarize the contribution the United States intends to keep making by its openness to all peaceful groups, by its aid to black projects and by its forward-looking private business presence.

Some critics view the administration approach as a cop-out, or worse. We disagree. The administration's effort to keep the policy, and the policy debate, within consensual bounds makes sense.

— THE WASHINGTON POST.

Amends Are Overdue

Through two world wars in which the United States and Germany were adversaries, anti-German feelings ran clear through society. In World War I, hamburger was renamed Salisbury steak and sauerkraut was called Liberty cabbage. In World War II, Spike Jones and his band regularly spat in Der Führer's face over the radio. But the government never came close to locking up German-Americans for security risks.

Yet in the fury that followed Japan's attack on Pearl Harbor, the government rounded up 120,000 men, women and children of Japanese descent who lived on the West Coast and confined them as security risks. Most were American citizens, all were entitled to think that the Constitution and laws of the United States would protect them from such an abrogation of basic rights.

The internment decision was not taken lightly. It sparked fierce debate and some unlikely positions. Earl Warren, then California's attorney general and later chief justice of the Supreme Court, favored it. J. Edgar Hoover, the FBI director, was opposed. Nevertheless, the decision was taken.

Now, 45 years later, Congress is moving to erase the shame and make amends for that wartime internment. Legislation providing for a formal apology, payments to victims and an education fund to preserve the lessons was passed in the House earlier this month. Similar legislation is expected to pass the Senate by the end of the year. But there is resistance within the administration and it is unclear whether President Reagan will sign the bill. Not to do so would mean a general re-opening.

Representative Robert Matsui of California, one of the bill's chief sponsors, was

months old when his family was interned. He tells a story like that of many other internees. The government gave them 48 hours to pack and leave. His father was forced to sell their house in Sacramento for \$50 and simply abandon his small produce business.

Another sponsor, Representative Norman Mineta of California, vividly recalls a train ride, under armed guard, to a camp in Wyoming. He was 10 years old at the time; his family spent a year in the camp and was not allowed to return to California until the war ended in 1945.

Government documents and newspaper accounts leave no doubt. Racism and xenophobia were largely responsible for the decision to undertake internment and the Supreme Court's willingness to concur in it.

The legislation passed by the House would give \$20,000 to each of the 66,000 internees still living. About \$50 million would fund education and research on the internment, to keep it alive in the nation's memory and prevent a repetition.

The administration objects that the nation already has made amends for the internment with a 1948 law that paid out \$37 million to settle 26,000 damage claims and with statements by President Gerald Ford that the internment was a mistake. It is a pinched and grudging position.

"Mistake" does not begin to describe the wrong. It demands not a whispered admission of error, but a full-throated apology. Representative Barney Frank of Massachusetts, who pined the bill out of the committee where it had languished since 1984, offers the right reason: "I think as a country, we need this bill more than the victims."

— THE NEW YORK TIMES.

Other Comment

Labor in a Changing Britain

Eight years of Thatcherism have changed the face of British society, and the Labor Party is going to have to take this into account. The party's leader, Neil Kinnock, began his "early sargassos" in Brighton to make a pronounced turn toward the center is to bring back to the fold those traditional Labor voters who, grown more affluent in the past few years, have changed parties. Joyfully taking of prosperity, they have begun to buy their own homes, to vacation abroad and are the happy owners of, say, a car, a vide cassette recorder and a smart portfolio of stocks in recently privatized companies. Neil Kinnock knows that if he wants one day to walk through that door on Downing Street, he must appeal to the "haves" without abandoning those whom the "Thatcher revolution" passed by.

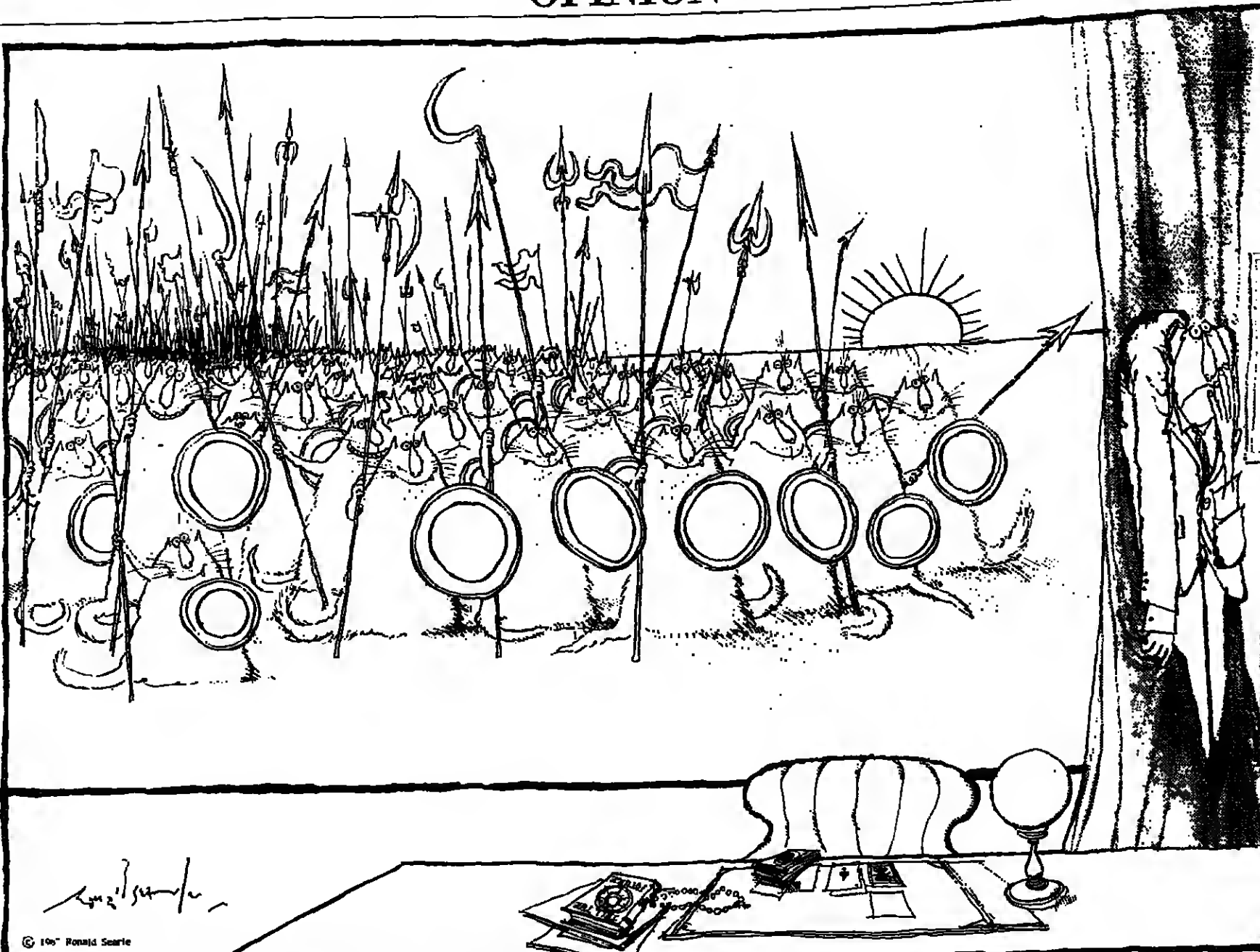
— Patrick Hughes, *L'Espresso* (Paris)

Keeping the Banks Afloat

More than 200 banks are expected to fail this year, the most since the Depression. The latest victim was a large Houston-based bank that the government rescued to the tune of nearly \$1 billion. Critics say bailing out large banks encourages continued imprudent risk-taking. But as long as the government is insurer, it makes sense for it to cut its losses by keeping a big bank operating.

— The Chicago Tribune.

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The century past is tough to beat for surprises. What next? To an impossible question, artist Ronald Searle's fanciful answer: This cohort of crusading cats.

East-West: Reagan Deserves Credit for Getting Down to Business

BOSTON — President Reagan's decision to go for an arms agreement, and an early summit meeting with Mikhail Gorbachev has led some of his faithful flock disgruntled. Conservative Republican senators say they will try to block the arms treaty. Rightist commentators write gloomily about the menace of détente.

In those reactions there is a sense of having been betrayed. And the objectors have a point. After all, Ronald Reagan is the same man who denounced détente at his first White House press conference in 1981, who said Soviet leaders "reserve unto themselves the right to commit any crime, to lie, to cheat..."

Why has Mr. Reagan, scourge of the "evil empire," decided to make a deal with the Soviet Union? Why has he done so, moreover, in that most sensitive area, nuclear arms control — the very area in which he usually says the United States should be trusted to keep to agreements?

The broad answer is that a president who wants to leave his mark on world history is inevitably drawn in that direction. He heads one of two superpowers, and relations with the other are his prime responsibility. Whatever his ideology, he is drawn to make that relationship more rational if he can. And arms control is the most potent symbol.

Of course those who call themselves conservatives reject that logic, as do conservatives in the Soviet Union. The rhetoricians of the American right argue that arms agreements nullify the United States into letting its defenses down, that it is better off to have a brawling relationship with the Soviet Union. But those who speak that way are not president.

Henry Kissinger is a leading critic of the projected agreement on inter-

mediate nuclear forces, or INF. But when he was in a position to make a mark on history, he was all over himself with eagerness to negotiate an arms treaty — one that many would say was less advantageous to the United States than the INF proposal.

Mr. Reagan has not given up his views about the communist menace by any means. He summoned up some of the old rhetoric just a few days after announcing the summit meeting. But from the start of his second term he has sought to do business with the Russians. The call of history was there.

Still, the negotiations over INF might never have reached fruition. Many of Mr. Reagan's own appoint-

ees had no enthusiasm for the project. His wild ideas at the Reykjavik summit meeting no doubt intensified their fears on arms control. But two factors pushed the Reagan administration toward an INF agreement.

First, there was Mr. Gorbachev. He wanted an arms agreement. He wanted it so much that he made concession after concession to the American negotiating position. He left almost no ground for refusing to agree except to say that the Americans really did not mean their own proposals.

Mr. Gorbachev agreed to the original Reagan proposal to eliminate all intermediate-range weapons. He agreed to include shorter-range mis-

iles. He agreed, in sum, to remove 1,435 warheads from the Soviet army while the United States gave up 348. He was also so agreeable to on-site inspections that the United States pulled back from its demands, fearing too many Russian inspectors on its soil. To say no to all that would have been rather embarrassing. Mr. Kissinger said grumpily that there was a lesson in this business: "Be thoughtful about what you propose. The other side may accept it."

Second, there was the Iran-contra affair. If its image of folly was to be changed in any significant degree before Mr. Reagan's presidency ended, the only real possibility was a productive meeting with Mr. Gorbachev. To take Senate approval of an INF

South Africa: The Best Hope Is Economic Expansion

CAPETOWN — A year ago the European Community, the Commonwealth countries and the United States introduced economic sanctions against South Africa. The effects of these sanctions are under review.

The Reagan administration, which tried unsuccessfully to veto the anti-apartheid act approved by Congress a year ago, believes that the sanctions have been misguided and is unlikely to recommend new penalties.

The experience of the past year bears out this belief. The most compelling evidence was the election in May for South Africa's white assembly. The election produced a distinct swing to the right, following a campaign that played heavily on the security concerns of the white minority.

Mr. Botha has since reinstated the state of emergency, renewing and ex-

ting the powers of detention without trial. Meanwhile, the army and police remain in force in the strife-ridden black and "colored" townships, press censorship has been tightened and reform measures have been put on the back burner.

So much for the political value of economic sanctions. What of their economic effects? Here, sanctions have been effective. The question is whether they have been at all useful.

The loss of export markets, such as the North American and Scandinavian markets for fruit, will seriously jeopardize the labor market in the western Cape where the decidu-

ous-fruit growers employ nearly a quarter of a million workers, all of whom are black or "colored."

It is estimated that two million people are unemployed, mostly unskilled black workers, and that by the year 2000 the number will have risen to nearly eight million, without sanctions, and to almost 10 million with sanctions. And this is a nation without much of a social security safety net.

Whatever harm is done to South Africa's economy will certainly harm the economies of its neighbors, for southern Africa is one economic unit.

One wonders, then, why leaders of the black states are so vociferous in supporting sanctions, and why, since South African blacks are least able to sustain the mass increase in joblessness, their leaders also advocate sanctions and other punitive measures.

The answer to the first question is that the front-line states, while continuing to trade briskly with South Africa, see international pressure as the only way to bring down the Pretoria regime. They also rely on the West to make good any economic losses resulting from sanctions. The answer to the second is usually "that South African blacks are suffering so much already that any additional suffering caused by sanctions will make little difference to their lives."

This contention is not borne out by the reality of joblessness in a country with no welfare and no food stamps. There is a more sophisticated, if equally unrealistic, reply: Economic stress will bring on the revolution. Such a

United Nations: Something's Cooking

NEW YORK — A day of poking around produces the quiet but satisfying discovery that "the United Nations" is, if not making progress in ending the Iran-Iraq war, then putting the effort to good Soviet-American use.

I say "the United Nations" because although its working chamber — the Security Council — has no formal existence and mandate outside the will of its members, there nonetheless is a unmistakable chemical entity that consists of those members, the secretary and the atmosphere that emanates from the always stammering glass tower and from the enduring sensible part of the United Nations idea.

By the latter I mean not that countries will bring sovereign national interests to heel for the sake of an abstract idea of international unity, but simply that they will see if those interests can be fairly served by using the forums and ways of the world body.

Ronald Reagan and Mikhail Gor-

an undeclared cease-fire and the commission's establishment simultaneous first steps. On Sept. 25, he went back to the council and asked for further instructions. The council told him to nail down a formal cease-fire.

The two powers are looking hard at that commission. The original idea was to satisfy Iran's bitter and justified complaint that, as Iran's president told the General Assembly, when Iraq invaded in 1980 the council "did neither mention any aggression or occupation nor make a request for returning to international borders but, astonishingly enough, called on both parties not to resort to force any further."

The Americans and, one can infer, the Soviets see the difficulties of setting up an inquiry from which Iran and Iraq demand diametrically opposed results. But at a minimum the exercise would allow Iran the political and psychological satisfactions of airing a profoundly felt grievance. That Iran sees identification of the aggressor as a quick, first political act and determination of the consequences as a second, slower judicial process may indicate its priorities.

All this does not mean it is now a sure thing that Iran will accept the council's diplomatic demands or buckle under to a later arms embargo. The prudent expectation is that Iran will twist and maneuver and fight on through at least one more big fall ground offensive.

It does mean that Moscow has been ready to work publicly with Washington, to forgo a gaping opportunity for scoring points with Iran and to great powers off against each other. Mr. Reagan has done his part. The United Nations is stage and producer of this rare experiment in regional cooperation, whose implications extend beyond whatever immediate results it may bring in the Gulf.

The Washington Post.

view totally underestimates the strength, ferocity and determination of the armed forces in South Africa to maintain the status quo.

If there were any chance that sanctions would dismantle apartheid, I would be the first to support them. But reducing South Africa to a wasteland will lead not to a nonracial democracy but to more oppression.

A little over a year ago, Archbishop Desmond Tutu said, "The onus is on those who do not want sanctions to provide us with a viable, nonviolent strategy to force the dismantling of apartheid." While I disagree with the premise that sanctions provide such a strategy, it is relevant to ask what alternative there is, and it is particularly relevant when the question comes from a man who cannot vote, despite the fact that he is South African-born, the head of the Anglican Church in South Africa and a Nobel laureate.

The sad truth is that there is no instant solution to transform the South African scene. The most effective instrument for change is economic expansion within the country.

This is the force that led in the first instance to those noncosmetic changes that have taken place in the last 10 years, the opening of skilled jobs to blacks, improvements in education and training, recognition of black trade unions, acceptance of a permanent black urban population and the abolition of the pass laws.

The Western democracies should continue protesting the miserable practices of apartheid and use all positive measures to speed its demise. But this should not lead them to impose punitive measures that will wreck the economy of the country.

The New York Times.

LETTER

Centigrade to Fahrenheit

I am anxious to find out the way to figure the temperature from Centigrade to Fahrenheit and vice versa. In other words, I want to know, whenever I see the temperature designated on Centigrade thermometer, how to find out what it would be on Fahrenheit's thermometer.

OLD PHILADELPHIA LADY, Paris.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unaddressed manuscripts.

100, 75 AND 50 YEARS AGO

1837: Wilhelm's Legions

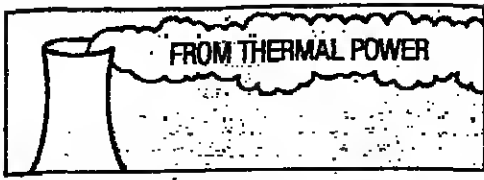
NEW YORK — The illegal enlistment of Germans for Emperor Wilhelm's legions going on in this country is made very evident by an interview in the *Herald* with the German consul here, Herr Feigl. Herr Feigl tries to ridicule the idea that voluntary physical examinations held at the consulate have anything to do with enlistment. Still he hints that it might be awkward for German-Americans visiting their native hearth if they didn't attend these voluntary examinations; and that a neglect to do so would be liable to make things uncomfortable for their relatives in the old country. There may be diplomatic trouble over this.

1937: Big Oil on Trial

MADISON, Wisconsin — Twenty-two major oil companies and nearly fifty of their executives went on trial today [Oct. 4] in one of the Federal government's largest prosecutions under the Sherman anti-trust act. The defendants are accused of conspiring to set gasoline prices in Mid-Western states. Their defense may include that contention that the basis of their indictment is practices which the government itself promoted under the National Recovery Administration.

1912: British Sub Sinks

LONDON — The British submarine B2 was sunk in the English Channel near Dover [on Oct. 4], and one officer and the crew of fourteen were drowned. The only life saved was that



MONDAY, OCTOBER 5, 1987

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EUROBONDS

Dollar, Fixed-Rate Market Go Their Separate Ways

By CARL GEWIRTZ International Herald Tribune

PARIS — The usually bumpy tandem of a strong dollar fueling a buoyant bond market was broken last week. Bond prices fell while the currency held steady.

The way these analysts see it, the more stable the dollar is, the more volatile interest rates will be.

If you fix exchange rates, interest rates will be volatile, one bank said.

This official commitment to stability is designed to give the United States the time it needs to begin showing an improvement in its huge trade deficit.

There is now little doubt that governments are determined to stabilize exchange rates within the bands established last February at a meeting in Paris.

Although there is a wide consensus that some improvement is on the way, there is considerable divergence about whether it will be enough or whether the dollar really needs to drop more.

Official manipulation of exchange rates to produce artificial stability creates distortions, said the treasurer of one major bank. "It channels market forces away from the foreign exchange market."

Unable to answer that question, investors continue to shun the Eurobond market.

The 100 million Deutsche mark issue was managed by IBI, the first time a Japanese bank has been permitted to play such a role.

IBI's five-year notes were offered at par bearing a coupon of 5 1/2 percent.

Also well-received were the equity linked issues. Nomura was lead manager of a 50 million DM bond convertible into common stock of Sodite, a Japanese machinery company.

Leykam Muzler, an Austrian paper company, had a runaway success with its 100 million DM equity-warrant issue.

Overall, the equity-linked market remained overwhelmed by the flood of issues from Japanese companies that continue to tap the market despite the notable cooling of investor interest.

Canon Inc., unable to decide which investment banker to choose, put two issues into the market simultaneously.

The five-year notes were off 1 1/2 points, still within the 2 1/4

See BONDS, Page 9

As the Drinking Slows, World Liquor Firms Unite

New York Times Service

NEW YORK — Faced with declining worldwide consumption, the international liquor industry is turning to consolidation as a way to prop up sagging sales.

The decline in consumption, estimated to be at least 2 percent a year, has propelled the industry into a flurry of takeovers and mergers intended to give liquor companies complete control of their products, from the distillery to the shelf.

The deals can take many shapes. In some cases the distiller of one brand might buy another, or move closer to the consumer and acquire a distributor that has profitable market penetration.

Britain's Guinness PLC, for example, entered into a marketing agreement in June with Moët Hennessy, a French company that in 1980 had acquired its own distributor, Schieffelin & Co.

Guinness's chief executive, Anthony Tennant, had a similar strategy when he was head of Grand Metropolitan PLC's subsidiary, International Distillers & Vintners.

Then last January, Grand Metropolitan acquired Heublein Inc., the U.S. marketer of almost 100 brands of spirits, wines and beers.

In addition, said Frank Walters, the director of research at Impact, a spirits industry newsletter, building new brands can be costly.

"It's a lot more economical to buy a brand," he said. "The one-brand company is going to find it very hard to compete."

With its long-standing base of production in Britain and its centuries-old access to overseas markets, the British spirits industry has pioneered the consolidation.

"If you don't go out there, the



A Bacardi plant in Puerto Rico. Bacardi has been especially courted in recent years.

best distributor will belong to a competitor," said Fiona Mathison, a United States and Southeast Asia, where the market for imports has been expanding.

Analysts say that with U.S. consumption of liquor estimated to have peaked in 1984, it is only a matter of time before the U.S.

owned by descendants of the Bacardi family, has always resisted joint ventures, but there are signs, such as the agreement with Guinness, that Bacardi is finally looking for a partner.

"Bacardi, like everyone else, is under pressure to enter distribution agreements," Ms. Proud said.

Nonetheless, the group recently rebuffed overtures by Allied-Lyons PLC, one of Britain's largest pub owners and brewers, and the owner of Hiram Walker Resources, the North American spirits giant.

"U.S. companies have had such a big market for so many years," said Michelle Proud, an analyst at Wood Mackenzie, "that they haven't had to look abroad. The U.K. market is relatively small, with companies forced to look abroad earlier than U.S. companies."

The Bacardi group, a loosely bound conglomerate of 13 distillers and distributors, and the producer of the world's best-selling liquor, Bacardi rum, has been especially courted in recent years.

The group, which is still largely

liquor industry completes its consolidation.

Analysts say that by the end of the decade the industry, traditionally the domain of small operators, will consist of a handful of conglomerates.

skills are at test," she said. "You are effectively wiping out the competition."

Mr. Omer said in return for the devaluation of the pound and the price hikes, Sudan would get \$4.845 billion credit over four years to help underwrite a balance of payments deficit of \$750 million and for economic development.

Mr. Omer said the agreement also will help Sudan to clear \$500 million in overdue debt servicing payments to the IMF on its \$10.6 billion foreign debt.

The accord, signed Sept. 26, was kept secret pending agreement by the major parties of a new coalition government under Prime Minister Sadek el-Mahdi. (UPI, Reuters)

Sudan to Devalue Pound, Get \$4.8 Billion Credit

Compiled by Our Staff From Dispatches

KHARTOUM, Sudan — Sudan has reached a \$4.8 billion loan agreement with international institutions that calls for a sharp currency devaluation and price increases on some commodities, the national news agency SUNA said Sunday.

SUNA, expanding on a government announcement late Saturday, said the Sudanese pound would drop to 4.5 pounds to the U.S. dollar from the official rate of 2.5 pounds. A dollar brings almost 9 Sudanese pounds on the black market in Khartoum.

bread, medicines, diesel fuel, oils and kerosene would remain relatively stable under government subsidies.

Egypt's Middle East News Agency reported that 25 people were injured Sunday in Khartoum in clashes between police and rock-throwing students who demonstrated against the price increases, the government and the IMF.

The 24 companies that the money supply would be controlled at a growth rate of 23 percent. He said a new system would be introduced into banking to protect capital against inflation but gave few details.

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But they said the primary reason that U.S. companies have trouble selling in Korea remains South Korean import barriers, not Japanese competition or lack of U.S. competitiveness.

"In general, American companies have done as well as can be expected," said James W. Booth, executive vice president of the American Chamber of Commerce in Korea.

The South Koreans, he said, are "blowing smoke in one direction while reaching around with the other hand and cutting off imports."

South Korea recorded a \$7.4 billion trade surplus with the United States last year and the imbalance is expected to grow this year. The United States buys around 40 percent of Korea's exports. In contrast, South Korean trade with Japan was \$5.4 billion in deficit in 1986.

The deficit with Japan, which provides technologies to South Korea's developing auto and computer industries, is a matter of sensitivity for South Korea. Korea was a Japanese possession from 1910 to 1945.

At the same time, the trade surplus with the United States has caused frictions in the alliance.

As Washington presses for lower tariffs, revaluation of the South Korean won against the dollar and other measures to encourage im-

ports, Seoul complains that the United States does not adequately consider its delicate political and national security situation.

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Seoul Says U.S. Is Too Slow on Trade

By Fred Hiatt Washington Post Service

SEOUL — U.S. pressure on South Korea to open its markets to imports has chiefly benefited Japan, according to Korean officials.

South Korea lifted import restrictions on 24 items at U.S. insistence during the first half of 1987, but Japan captured 57 percent of the resulting new business, the officials said.

U.S. companies' share was only 18 percent, the Ministry of Trade and Industry said in a report.

"The American companies simply did not move fast enough," it said.

American businessmen and economists in Seoul acknowledged some truth in the Korean claims, which appeared aimed at blunting further U.S. pressure.

But they said the primary reason that U.S. companies have trouble selling in Korea remains South Korean import barriers, not Japanese competition or lack of U.S. competitiveness.

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OPEC President Says Output Fell In September

Reuters

LAGOS — OPEC's president, Rilwanu Lukman, said Sunday that the cartel's crude oil production in September was substantially lower than in August, when the group reportedly overshot its ceiling by a wide margin.

"The figures we have do indicate a substantially lower output by OPEC in September," Mr. Lukman said in an interview.

Mr. Lukman, who is also Nigeria's oil minister, and the oil ministers of Indonesia and Venezuela were to begin on Monday a tour of six Gulf states, Saudi Arabia, Iran, Iraq, the United Arab Emirates, Qatar and Kuwait, to try to persuade them to rein in output.

Mr. Lukman did not specify the September production figures. But asked if they were within the Organization of Petroleum Exporting Countries' self-imposed ceiling of 16.6 million barrels a day, he said, "Perhaps not."

Industry sources estimated OPEC's output in August at 19.3 million barrels a day, about 2.7 million barrels above its ceiling.

Mr. Lukman disputed those figures, saying that output was only 1 million to 1.2 million barrels above the ceiling.

Mr. Lukman and the Indonesian and Venezuelan ministers were mandated by OPEC at its full conference in Vienna last June to visit states violating the production accord.

"The whole idea is to encourage member states to return to their quotas," Mr. Lukman said.

He said the ministers would eventually tour all 13 member states.

He said the trip would also be used to prepare the ground for OPEC's next full conference, in Vienna in December, and to find ways of bringing Iraq into its accord. Iraq, which rejected a quota lower than that of Iran, its enemy, did not sign the June accord.

Soviet to Help Iran Oil Search

Agence France-Press

PARIS — Iran will soon begin exploring for oil in the southern part of the Caspian Sea with the help of the Soviet company Techno-Export, according to the official Iranian radio, monitored in Paris.

The Iranian Oil Ministry said an agreement for Techno-Export to provide equipment and technical services was reached in September, the radio said.

In August, the two countries agreed to develop economic projects and deepen relations. The Iranian news agency said the projects would include oil pipelines and a railroad linking the Soviet Union with the Gulf.

Purchasers Noted Expansion In U.S. Economy in Month

New York Times Service

NEW YORK — The U.S. industrial economy continued to expand briskly in September, the National Association of Purchasing Management said in its latest report set for release Monday.

"The economy ended the third quarter with what must be characterized as robust growth," said Robert J. Bretz, chairman of the trade group's business survey committee.

The association's overall measure of economic performance, its seasonally adjusted composite index, advanced to 60.7 percent, up from 59.9 percent in August and 58.2 percent in July. Any reading over 50 percent signals growth in the economy, and September was the fourteenth consecutive month above this level.

The composite index has averaged 56.6 percent for the first nine months of 1987, according to Mr. Bretz. "If this average were to continue for the remainder of 1987, it would be consistent with real gross national product growth of 3.8 percent," he said.

For 1987, the Reagan administration is predicting 3.2 percent growth in GNP, which measures the total output of a country's goods and services.

Signs of heightened economic activity were evident throughout the economy. New orders, for instance, rose sharply. A total of 43 percent of purchasing managers reported a gain in new orders, while 12 percent reported a decline and 45 percent noted no change from the prior month. The 31-percent gain in new orders was the largest since August's 23-percent gain.

Of the managers queried, 43 percent said production was on the rise, 34 percent points above the number of managers who saw it declining. That was the largest spread in more than three years.

Twenty-eight percent of those surveyed saw deliveries of raw materials slowing as vendors struggled to keep up with production versus 4 percent who saw them accelerating.

Currency Rates

Table with columns for City, Oct 2, and Oct 5. Rows include Amsterdam, Frankfurt, London, Milan, New York, Paris, Tokyo, and Zurich.

Exchange in London, Tokyo and Zurich. Rates in other centers. New York rates at 4:30 p.m. Eastern time. All rates are approximate. All rates are approximate.

Table with columns for Currency, Par \$, and Par 100. Rows include Swiss franc, German mark, French franc, Italian lira, Japanese yen, and others.

Table with columns for Currency, 30-day, 60-day, 90-day, and 360-day. Rows include Forward Rates for various currencies.

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Paribas (Paris); Bank of Tokyo (Tokyo); ING (London); BNL (Rome); Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Table with columns for Stock Indices, Money Rates, and other market data. Rows include Dow Jones, S&P 500, and various interest rates.

Think rich! (Details in this paper soon) GRINDLAYS CAPELURE A member of the ANZ Group

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-423-1277. Prices may vary according to market conditions and other factors.

Dollar Straights

Issuer	Con	Mat	Price	Yld	Cur
Aust Com Bk	12%	9/15	105.4	9.50	92
Aust Govt	11%	9/15	105.4	9.50	92
Australia	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92
New Zealand	11%	9/15	105.4	9.50	92

Issuer	Con	Mat	Price	Yld	Cur
Norway	11%	9/15	105.4	9.50	92
Sweden	11%	9/15	105.4	9.50	92
Denmark	11%	9/15	105.4	9.50	92
Finland	11%	9/15	105.4	9.50	92
Belgium	11%	9/15	105.4	9.50	92
Netherlands	11%	9/15	105.4	9.50	92
Germany	11%	9/15	105.4	9.50	92
France	11%	9/15	105.4	9.50	92
Italy	11%	9/15	105.4	9.50	92
Spain	11%	9/15	105.4	9.50	92
Portugal	11%	9/15	105.4	9.50	92
Greece	11%	9/15	105.4	9.50	92
Japan	11%	9/15	105.4	9.50	92
South Korea	11%	9/15	105.4	9.50	92
Hong Kong	11%	9/15	105.4	9.50	92
Taiwan	11%	9/15	105.4	9.50	92
China	11%	9/15	105.4	9.50	92
India	11%	9/15	105.4	9.50	92
Philippines	11%	9/15	105.4	9.50	92
Thailand	11%	9/15	105.4	9.50	92
Singapore	11%	9/15	105.4	9.50	92
Malaysia	11%	9/15	105.4	9.50	92
Indonesia	11%	9/15	105.4	9.50	92
Brazil	11%	9/15	105.4	9.50	92
Argentina	11%	9/15	105.4	9.50	92
Chile	11%	9/15	105.4	9.50	92
Colombia	11%	9/15	105.4	9.50	92
Venezuela	11%	9/15	105.4	9.50	92
Ecuador	11%	9/15	105.4	9.50	92
Peru	11%	9/15	105.4	9.50	92
Uruguay	11%	9/15	105.4	9.50	92
Paraguay	11%	9/15	105.4	9.50	92
Bolivia	11%	9/15	105.4	9.50	92
Cuba	11%	9/15	105.4	9.50	92
Haiti	11%	9/15	105.4	9.50	92
Dominican Rep	11%	9/15	105.4	9.50	92
Jamaica	11%	9/15	105.4	9.50	92
Trinidad	11%	9/15	105.4	9.50	92
Barbados	11%	9/15	105.4	9.50	92
Guyana	11%	9/15	105.4	9.50	92
Suriname	11%	9/15	105.4	9.50	92
Guatemala	11%	9/15	105.4	9.50	92
El Salvador	11%	9/15	105.4	9.50	92
Honduras	11%	9/15	105.4	9.50	92
Nicaragua	11%	9/15	105.4	9.50	92
Panama	11%	9/15	105.4	9.50	92
Costa Rica	11%	9/15	105.4	9.50	92
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Bank of Greece	11%	9/15	105.4	9.50	92
Bank of Italy	11%	9/15	105.4	9.50	92
Bank of Spain	11%	9/15	105.4	9.50	92
Bank of Portugal	11%	9/15	105.4	9.50	92
Bank of France	11%	9/15	105.4	9.50	92
Bank of Germany	11%	9/15	105.4	9.50	92
Bank of Japan	11%	9/15	105.4	9.50	92
Bank of South Korea	11%	9/15	105.4	9.50	92
Bank of Hong Kong	11%	9/15	105.4	9.50	92
Bank of Taiwan	11%	9/15	105.4	9.50	92
Bank of China	11%	9/15	105.4	9.50	92
Bank of India	11%	9/15	105.4	9.50	92
Bank of Philippines	11%	9/15	105.4	9.50	92
Bank of Thailand	11%	9/15	105.4	9.50	92
Bank of Singapore	11%	9/15	105.4	9.50	92
Bank of Malaysia	11%	9/15	105.4	9.50	92
Bank of Indonesia	11%	9/15	105.4	9.50	92
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Bank of Ecuador	11%	9/15	105.4	9.50	92
Bank of Peru	11%	9/15	105.4	9.50	92
Bank of Uruguay	11%	9/15	105.4	9.50	92
Bank of Paraguay	11%	9/15	105.4	9.50	92
Bank of Bolivia	11%	9/15	105.4	9.50	92
Bank of Cuba	11%	9/15	105.4	9.50	92
Bank of Haiti	11%	9/15	105.4	9.50	92
Bank of Dominican Rep	11%	9/15	105.4	9.50	92
Bank of Jamaica	11%	9/15	105.4	9.50	92
Bank of Trinidad	11%	9/15	105.4	9.50	92
Bank of Barbados	11%	9/15	105.4	9.50	92
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Bank of Haiti	11%	9/15	105.4	9.50	92
Bank of Dominican Rep	11%	9/15	105.4	9.50	92
Bank of Jamaica	11%	9/15	105.4	9.50	92
Bank of Trinidad	11%	9/15	105.4	9.50	92
Bank of Barbados	11%	9/15	105.4	9.50	92
Bank of Guyana	11%	9/15	105.4	9.50	92
Bank of Suriname	11%	9/15	105.4	9.50	92
Bank of Guatemala	11%	9/15	105.4	9.50	92
Bank of El Salvador	11%	9/15	105.4	9.50	92
Bank of Honduras	11%	9/15	105.4	9.50	92
Bank of Nicaragua	11%	9/15	105.4	9.50	92
Bank of Panama	11%	9/15	105.4	9.50	92
Bank of Costa Rica	11%	9/15	105.4	9.50	92

Issuer	Con	Mat	Price	Yld	Cur
Bank of Greece	11%	9/15	105.4	9.50	92
Bank of Italy	11%	9/15	105.4	9.50	92
Bank of Spain	11%	9/15	105.4	9.50	92
Bank of Portugal	11%	9/15	105.4	9.50	92
Bank of France	11%	9/15	105.4	9.50	92
Bank of Germany	11%	9/15	105.4	9.50	92
Bank of Japan	11%	9/15	105.4	9.50	92
Bank of South Korea	11%	9/15	105.4	9.50	92
Bank of Hong Kong	11%	9/15	105.4	9.50	92
Bank of Taiwan	11%	9/15	105.4	9.50	92
Bank of China	11%	9/15	105.4	9.50	92
Bank of India	11%	9/15	105.4	9.50	92
Bank of Philippines	11%	9/15	105.4	9.50	92
Bank of Thailand	11%	9/15	105.4	9.50	92
Bank of Singapore	11%	9/15	105.4	9.50	92
Bank of Malaysia	11%	9/15	105.4	9.50	92
Bank of Indonesia	11%	9/15	105.4	9.50	92
Bank of Brazil	11%	9/15	105.4	9.50	92
Bank of Argentina	11%	9/15	105.4	9.50	92
Bank of Chile	11%	9/15	105.4	9.50	92
Bank of Colombia	11%	9/15	105.4	9.50	92
Bank of Venezuela	11%	9/15	105.4	9.50	92
Bank of Ecuador	11%	9/15	105.4	9.50	92
Bank of Peru	11%	9/15	105.4	9.50	92
Bank of Uruguay	11%	9/15	105.4	9.50	92
Bank of Paraguay	11%	9/15	105.4	9.50	92
Bank of Bolivia	11%	9/15	105.4	9.50	92
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Bank of Haiti	11%	9/15	105.4	9.50	92
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Bank of Suriname	11%	9/15	105.4	9.50	92
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Bank of Panama	11%	9/15	105.4	9.50	92
Bank of Costa Rica	11%	9/15	105.4	9.50	92

New International Bond Issues

Compiled by Aimee Potter Hardow

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

G-7 Currency Pact Will Divert Speculation, U.S. Analyst Says

Recently in Washington the Group of Seven countries — the United States, Japan, West Germany, Britain, France, Italy and Canada — reaffirmed their determination to coordinate economic policies and stabilize exchange rates.

They are pushing speculation elsewhere. Speculative pressure will move into two other outlets — the bond and stock markets, where we are seeing big fluctuations.

U.S. bonds have become a major speculative pool. The U.S. bond market should not

United States. We need a real change-around in our productivity and spending habits and in our lack of ability to save.

We can hold the dollar temporarily by raising interest rates. But at some point we will run out of people ready to take the exchange rate risk of buying dollars for the sake of a marginally higher yield.

Anyway, many people in the market believe that the U.S. authorities are letting interest rates go up now so that they can be brought down a little next spring in the run-up to the presidential election.

Q. As a trader, don't you have an interest in currency volatility rather than the stability that Mr. Baker and his colleagues are trying to achieve?

A. Any speculative operator is generally in favor of some volatility, but not too much. When the dollar was moving by 5 to 10 percent a day two-and-a-half years ago, that was just as bad as, if not worse than, a weekly move of only half a percent.

MONDAY Q&A

Q. Is that likely? A. Japanese investors bought nearly half the bonds auctioned by the U.S. government last year. They have an enormous appetite for U.S. Treasury bonds and they hardly ever sell them.

Q. How will the markets react? A. In the short term, the strategy should stabilize the dollar. People feel that the dollar is not going to move out of its agreed range. Right now the G-7 is winning.

Q. What do you mean by that? A. By restricting movements in the dol-

Q. What about the proposal to monitor commodity prices?

A. By dragging commodities in, Mr. Baker is effectively seeking to float the dollar against a gold-anchored commodity basket. That will destabilize the commodities markets in the same way that the stock and bond markets have been upset.

How would it work anyway? Is the Federal Reserve going to buy pork bellies to support prices? How do you stabilize the price of soybeans? South Africa and the Soviet Union control gold production.

Q. Why then does the market appear to be taking the proposal seriously? A. The market was starved of news and wanted something fresh. The psychology of the market is such that it can convince itself of anything.

Q. What then are the longer-term prospects for the dollar?

A. The G-7's latest strategy probably has a mileage of three to six months. But actually I believe we will see new dollar lows before the end of the year. We still don't have a credible economic policy in the

Chase Manhattan Wins American Airlines \$500 Million Loan

By Carl Gewirtz International Herald Tribune

PARIS — American Airlines returned to the international credit market last week with a \$500 million multi-option facility that the company had put out for competitive bidding.

Chase Manhattan Bank won the contract, setting an annual fee on the facility of 7 1/2 basis points, or 0.75 percent. The credit line is normally for five years but will run for eight. At the end of each of the first three years the maturity will be extended an additional year unless underwriters refuse.

If the borrower uses the line, it has three base rates to choose from: the London interbank rate plus 1/2 point, the reserve adjusted rate for certificates of deposit plus 1/4 point, or the higher of the federal funds rate plus 1/4 point or the prime rate of U.S. banks.

Whichever rate is used, there is a utilization fee of 5 basis points if more than one-third of the loan is drawn and 7 1/2 basis points if more than two-thirds is used.

Fees for banks underwriting \$500 million commitments amount to five basis points.

The terms were regarded by the market as aggressive but not an

obstacle. "American is the best U.S. airline credit and there are many banks who want to do business with them, so it will get done," said one banker who had bid and lost in the race for the mandate.

American has two outstanding Euronote facilities totaling \$500 million that are not currently being utilized. The annual fee on the first facility, arranged in 1985, averages 10 basis points a year while the charge on the second, arranged in 1986, is "slightly more expensive" than the charge on the new facility now in the market, the company's treasurer, Roy Grant, said.

However, the new facility carries the lowest drawing charges.

Mr. Grant said that American has no intention of canceling the earlier facilities. He said the company intends to reduce the amount of cash it holds from \$1 billion to \$500 million and the new line is intended to maintain an unchanged \$1.5 billion on hand.

"All we're doing," said Mr. Grant, "is changing the mix of cash and standby facilities."

Scheduled to be launched this week is a \$200 million facility for Au Printemps SA, the French retail

store group. As with recent French corporate borrowing, the loan will be a combination of domestic francs and foreign currencies but open only to banks operating in France that can lend local currency.

Swedbank is in the market for a \$100 million, five-year revolving underwriting facility to replace a more expensive seven-year facility arranged in 1984. The annual facility fee on the new line is 6 1/2 basis points over Libor if they are unable to market short-term paper offered by the bank.

In addition, if more than one-third of the credit line is drawn, there will be a utilization fee of 3/4 basis points, which rises to 6/4 basis points if more than two-thirds is used.

Centex Corp., a Dallas-based real estate developer, is asking banks for a \$150 million, five-year credit. Interest will be set at 15 basis points over Libor with a utilization fee of five basis points if drawn. The commitment fee on unused amounts is 10 basis points for the portion held as immediately available and 7 1/2 points on the amount designated in reserve.

Pakistan, making its annual visit to the market, is seeking a \$100 million, five-year syndicated loan carrying interest at 1 point over Libor. The commitment fee on undrawn amounts is 1/4 percent.

The central bank of Turkey is in the market for an \$85 million, three-year credit. Interest is set at 1 1/4 points over Libor and front-end fees are 1 percent for banks underwriting \$5 million.

TransAustrian Gasline Finance Co. is seeking a five-year credit of 90 million Deutsche marks. Interest will be set at 12 1/2 basis points over Libor and front-end fees are 7 1/2 basis points. The borrower is 95 percent owned by Starm SPA, the Italian state-owned energy company and 5 percent by OMV AG, the Austrian state-owned energy company.

The money will be used for the construction of a second pipeline carrying oil from the Soviet Union to Western Europe. TransAustrian sold to lender manager Bank of America an option to convert the loan to U.S. dollars, reducing the pipeline company's effective borrowing cost to around 40 basis points below Libor.

Outright Corp., a British industrial conglomerate, is in the market for a \$100 million multi-option fa-

city. Banks are being asked to underwrite only \$50 million as a standby revolving credit. Terms were not divulged.

CANON INC.

Notice has been received from Tokyo that the Board of Directors has declared a payment of DIVIDEND of ¥ 500 per share for the six months period ended 30th June 1987. Holders of EUROPEAN DEPOSITARY RECEIPTS TO BE PAID (Share Certificates) wishing to claim this dividend and a request of the shares represented by their share EDR's should present copies of the EDR's to the office of HILL SAMUEL & CO. LIMITED, 45, BECH STREET, LONDON EC2P 3EJ, where listing forms are available, or BANQUE INTERNATIONALE A LUXEMBOURG, 2, BOULEVARD ROYAL, LUXEMBOURG. Payment in sterling will be made at the rate of exchange ruling on the day of presentation. Holders of BEASER DEPOSITARY RECEIPTS (Share EDR's) wishing to claim this dividend in respect of the shares represented by their share EDR's should present copies of the EDR's to the office of HILL SAMUEL & CO. LIMITED, 45, BECH STREET, LONDON EC2P 3EJ, where listing forms are available. O.K. The Full Book Limited, Investment Services, 32, Vitoriastr., Amsterdam, 4, Dorlandstr., Amsterdam, N.A. Krijndamkade 5, A.A., 111, West Street, New York, N.Y. 10015. Secured Guaranty, 19, Boulevard Haussmann, 75 Paris 9.

Payment will be made in U.S. Dollars at the rate of exchange ruling on the day of presentation. Holders of BEASER DEPOSITARY RECEIPTS (Share EDR's) wishing to claim this dividend in respect of the shares represented by their share EDR's should present copies of the EDR's to the office of HILL SAMUEL & CO. LIMITED, 45, BECH STREET, LONDON EC2P 3EJ, where listing forms are available. O.K. The Full Book Limited, Investment Services, 32, Vitoriastr., Amsterdam, 4, Dorlandstr., Amsterdam, N.A. Krijndamkade 5, A.A., 111, West Street, New York, N.Y. 10015. Secured Guaranty, 19, Boulevard Haussmann, 75 Paris 9.

BONDS: Dollar, Prices in Fixed-Rate Market Diverge

Continued from first finance page) percent fees paid to underwriters, at the six-year notes were at an isoupt of 4 points.

The extremely heavy flow of Japanese equity-warrant bonds accounted for half of the total volume of straight Eurodollar bonds in the first nine months of the year. According to figures supplied by Salomon Brothers, a total of \$52 billion of dollar-denominated Eurobonds were issued in the first nine months. Salomon puts the total of straight Eurodollar debt at 40.8 billion. But it includes equity-warrant debt in this category, which alone totaled \$20 billion — virtually all of it from Japan.

For the third quarter, equity-warrant issues amounted to some \$3.6 billion, accounting for more than half of the \$15.2 billion of straight Eurodollar debt marketed. For the year so far, all categories of Eurodollar debt accounted for 1.3 percent of total Eurobond vol-

ume of \$117.2 billion. The dollar's share of the market is the smallest ever, down from 63 percent last year.

In addition, this total nine-month volume is down 18 percent from the year-ago period — the first decline since 1983. The decline in the dollar's share of the market is both a reflection of the lack of confidence in the currency as well as the collapse of the market for floating-rate notes. So far this year, the volume of dollar FRNs has totaled \$2.9 billion compared with \$29.8 billion in the year-ago period.

Issuers seeking to borrow floating-rate dollars have reverted to issuing fixed-coupon non-dollar debt and swapping the proceeds into floating-rate dollars. This accounts for the huge increase in the issuance of debt denominated in Australian and New Zealand dollars — the most popular swap instruments.

So far this year the equivalent of \$9.5 billion of debt denominated in Australian dollars has been issued, down from the equivalent of \$4 billion in the year-ago period. This year's total for New Zealand dollar paper is equal to \$2.2 billion compared to \$707 million.

This volume gives the Australian dollar a market share of 8 percent, in fifth position behind the U.S. dollar. Also following the dollar are bonds in yen with a 14.7 percent share of the market; sterling, 10.3 percent and the Deutsche mark, 8.8 percent.

The decline in overall Eurobond volume reflects investor wariness about liquidity following the difficulties in the FRN market and, thus, a preference for buying in domestic bond markets. It also shows the slowdown in issuance activity as the major borrowers arranged precautionary financing when interest rates were still declining.

Citicorp to Sell Part of Offices To Dai-Ichi, Boosting Capital

New York Times Service

NEW YORK — In another step toward recapitalizing itself after huge losses, Citicorp said it would sell parts of its New York headquarters complex to Dai-Ichi Mutual Life Insurance Co. of Japan.

Dai-Ichi agreed to pay \$670 million, giving Citicorp an after-tax gain of \$270 million.

Citicorp will sell a one-third interest in the Park Avenue building that it occupies, and two-thirds of its Citicorp Center as office condominiums. The buildings face each other.

On May 19, John S. Reed, Citicorp's chairman, decided to set aside \$3 billion for possible losses on Third World loans, giving the banking company a six-month loss of \$2.3 billion. However, Mr. Reed said that Citicorp would narrow its loss for the whole year to \$1 billion, through earnings, tax benefits and asset sales.

Since then, the bank has sold more than \$1 billion in new common stock, a move that, while

building Citicorp's capital base, should in theory depress the bank's earnings per share by increasing the number of shares outstanding.

However, last month, in its first step toward rebuilding earnings, Citicorp announced that it had bought an annuity to satisfy domestic pension obligations and would be booking a \$160 million after-tax gain.

In the Dai-Ichi transaction, Citicorp will also be able to book a gain because the \$670 million price for the condominiums is far above their cost. Citicorp estimates that the gain, to be recorded in the current quarter, will be \$450 million pretax, or \$270 million after tax.

Taken together, the pension transaction and the condominium sales have produced \$430 million in after-tax earnings, so Citicorp is almost a third of the way toward its earnings goal for the year.

Boveri Announces An Alliance With Italy's Tosi Group

Special to the Herald Tribune

ROME — BBC Brown, Boveri & Co., the Swiss engineering group that recently announced plans to merge with its Swedish counterpart ASEA AB, is strengthening its position in Italy through an alliance with Franco Tosi Ingegneria SpA, a subsidiary of Italmobiliare, the Pezzenti family's holding company.

In an exchange of shareholdings, the companies said last week that Tecnomasio Italiano Brown Boveri SpA would take full control of a Franco Tosi subsidiary, Ercole Marzili Nuova EMG SpA. Brown Boveri itself will also take 30 percent stakes in both Ingegneria and its subsidiary Franco Tosi Industriale SpA, while this latter company will buy 30 percent of Tecnomasio and its main unit. The companies said financial details had not been finalized.

Tecnomasio has annual sales of 655 billion lire (\$493 million), compared with Franco Tosi's combined revenue of 500 billion lire. The ASEA group subsidiaries bring in a further 300 billion lire in Italy.

The alliance represents the first step in a restructuring of the fragmented Italian market, said Gianpiero Pezzenti, vice chairman of Franco Tosi. It aims to create an integrated line of products in power generation, electrical machinery, automation and control systems.

Agreement Is Reported On Coffee Export Quotas

LONDON — Coffee-producing and consuming countries agreed a principle Sunday to reintroduce export quotas, a spokesman for the consumers said. The price-support mechanism has been suspended since February 1986.

Talks under the aegis of the International Coffee Organization agreed on a method to adjust quotas in the October-December quarter, the first three months of the 1987-88 coffee year, said the spokesman, Abraham van Overbeek.

This was the last obstacle to overall agreement and allows quotas to be reintroduced, he said. The full ICO council, meeting late Sunday, is expected to approve the accord. The talks have lasted 12 days. Earlier, delegates said experts had decided how to distribute export quotas among producer countries, removing the main obstacle to a new international accord to support prices. Delegates say the United States, the biggest consumer, has been insisting that new quotas be set mainly according to objective criteria, such as available supply and stocks. It considers initial proposals by a reducer majority were too much a result of political bargaining. Quotas lapsed in 1986 when a drought in Brazil, the biggest coffee reducer, reduced its crop. But better Brazilian weather this year means that the market is again oversupplied, while earlier talks to sign quotas collapsed in March.

TRADE: U.S.-Canada Pact

(Continued from Page 1)

tion in Congress over any exemption. Reagan administration trade officials initially insisted that they could not meet Canada's demands, and it was unclear how far the United States moved on the issue to reach agreement. It was also unknown how many concessions the Mulroney government had made to U.S. demands on other trade issues, mostly related to Canada ending barriers to U.S. imports and investment and the Canadian subsidies that gave its products a competitive edge.

The United States had agreed to form a binational trade tribunal with binding powers, but unlike Canada favored giving it authority only to review decisions already made through regular channels.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Oct. 2

Table of OTC Consolidated trading for week ended Friday, Oct. 2. Columns include Sales, High, Low, Close, and Net Change. Lists various stocks and their performance.

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USIF, REAL ESTATE. Notice of Annual General Meeting of Shareholders. Notice is hereby given that the Annual General Meeting of Shareholders of USIF, Real Estate ("USIF") will be held at the Nassau Beach Hotel (Gulfstream Room), West Bay Street on the Island of New Providence in the Commonwealth of The Bahamas, on Friday, the 4th day of December, 1987 at 10:00 o'clock in the forenoon for the following purposes:

Subscription form with fields for Name, Address, City/Country, Tel/Telex, and checkboxes for subscription terms and payment methods. Includes a signature line and a date field.

SPORTS

Vasquez Takes WBA Title; Rosi, Mitchell Prevail

SEOUL — Wilfredo Vasquez of Puerto Rico stopped champion Park Chan-yong of South Korea in the 10th round here Sunday, capturing the World Boxing Association bantamweight title.

Strike-Version Bears Still Monsters, Rout Eagles, 35-3

PHILADELPHIA — The strike version of the Chicago Bears did not compare with the regular "Monsters of the Midway," but they obtained the same results Sunday with a 35-3 rout of the non-union Philadelphia Eagles before only 4,074 fans.

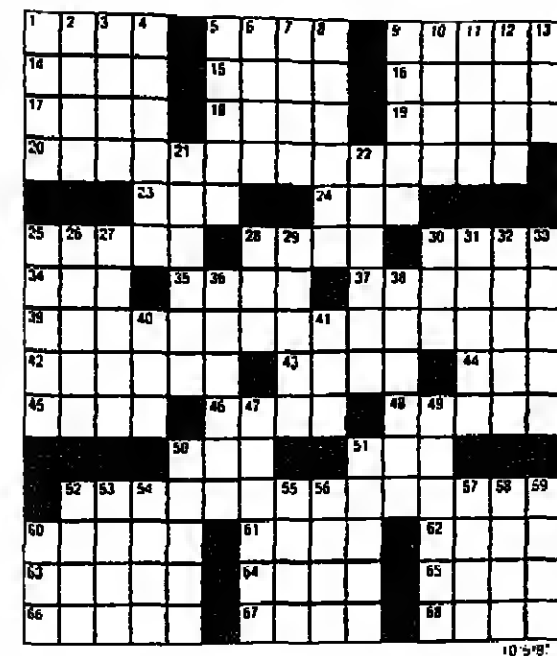
burgh win as quarterback Steve Bono accounted for two touchdowns. Fans inside the stadium only outnumbered union pickets outside the stadium by 17-1.

PRO FOOTBALL

Chargers 10, Bengals 9: In Cincinnati, Jeff Gaffney, cut by San Diego this summer, kicked a 24-yard field goal in the closing minutes to give the Chargers their victory at half-filled Riverfront Stadium.

Miami, by a Little Extra, Beats Florida St.

Compiled by Our Staff From Dispatches NEW YORK — Extra points decided a one-point game Saturday between two of the top-ranked U.S. college football teams.



ACROSS 1 Of the ear 5 Cactary 9 Communion table 14 Fibber 15 Rounded ear section 16 Skin layer 17 Water plant 18 Paradise 19 Sharp-tasting vegetable 20 Year: 1956 and 1960 23 Cereal grain 24 Before, to Poe 25 Squandered, perhaps 28 Gumbo 30 — set of combs 34 Indisposed 35 Roof edge 37 Altruistic person 39 Fighter of the Year: 1978 42 In the middle 43 Deserve 44 Equal: Prefix 45 Give temporarily 46 Terminates

Solution to Friday's Puzzle. A grid of letters with words highlighted in different colors.

DENNIS THE MENACE



JUMBLE

A word puzzle section with a grid of letters and a list of words to be found.

WEATHER

A table showing weather forecasts for various cities in Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



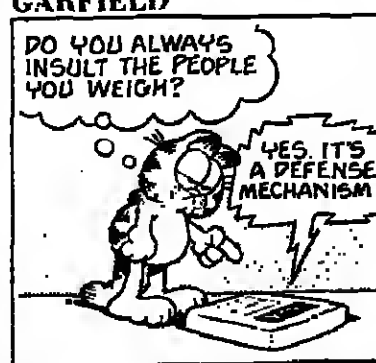
WIZARD OF ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW

Amsterdam Stocks on the Amsterdam Stock Exchange recouped some losses last week, helped by the firmer dollar and stable bond prices.

Hong Kong

The Hang Seng Index crept closer to the 4,000-point barrier last week in a healthy market.

London

Equities and government bonds were bolstered over the week by renewed official pledges for currency stability and by comments from Nigel Lawson, the chancellor of the Exchequer, on British inflation and economic growth prospects.

Milan

Milan stock prices were flat last week, despite good news from Fiat and Olivetti.

COMBINED CURRENCY STOCK INDEX GRAPH



SPORTS

Tigers Win AL East With a 3d Straight 1-Run Defeat of Jays

Compiled by Our Staff From Dispatches DETROIT—The Detroit Tigers won the American League East title Sunday by beating the Toronto Blue Jays, 1-0, behind the six-hit pitching of Frank Tanana and Larry Herndon's home run.

White Sox 5, Athletics 2: In Chicago, Reggie Jackson got two hits for Oakland in the final game of his 21-year career, but Ron Haseby hit a two-run homer for the White Sox.

SUNDAY BASEBALL

led over the Tigers that was 3 1/2 games on Sept. 26. The Tigers finished the season two games ahead of the Blue Jays and avoided a one-game playoff that would have been held Monday in Detroit had the Blue Jays won.

Mets 11, Cardinals 6: In St. Louis, pinch-hitter Lee Mazzilli's two-run single and Tim Lincecum's two-run double, both during a five-run ninth, gave New York its victory.

England Wins U.K. Golf; Strange Cards Record 62

Compiled by Our Staff From Dispatches ST. ANDREWS, Scotland—Gordon J. Brand and Nick Faldo, on respective rounds of 64 and 66, led England to a 2-1 victory over Scotland in the final of the Dunhill Nations Cup golf tournament over the 6,933-yard (6,240-meter) Old Course here Sunday.

India Upsets Australia by 3-2, Advances to Final of Davis Cup

United Press International SYDNEY—India engineered a major upset as it defeated defending champion Australia, 3-2, in a Davis Cup semifinal here Sunday.

Ramesh Krishnan, once coached by Harry Hopman, the late Australian Davis Cup captain, ended Australia's bid to keep the silver trophy when he downed Wally Masur, 6-6, 6-4, 6-4, in an engrossing match lasting just over two hours.

Santiago Streak Ended, But Padres Halt Their

Compiled by Our Staff From Dispatches SAN DIEGO—Benito Santiago's 34-game hitting streak, a major-league record for rookies, was ended Saturday night by his San Diego Padres' ninth-inning home run.

Tremolino Wins Arc de Triumphi

Compiled by Our Staff From Dispatches PARIS—Tremolino came from off the pace Sunday to overtake favored Reference Point and win the \$1.1 million Arc de Triumphi, giving jockey Pat Eddery of Ireland an unprecedented third straight victory in Europe's richest horse race.

Baseball

Friday's and Saturday's Major League Line Scores

Table with columns for team names and scores for various baseball games.

Table with columns for team names and standings for various baseball leagues.

Table with columns for team names and scores for various football games.

Table with columns for team names and scores for various transition games.

Table with columns for team names and scores for various European soccer games.

Table with columns for team names and scores for various tennis matches.

Table with columns for team names and scores for various Davis Cup matches.

Table with columns for team names and scores for various golf events.

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SCOREBOARD

Baseball

Friday's and Saturday's Major League Line Scores

Table with columns for team names and scores for various baseball games.

Major League Standings

Table with columns for team names and standings for various baseball leagues.

Football

Selected U.S. College Results

Table with columns for team names and scores for various college football games.

CFL Standings

Table with columns for team names and scores for various CFL games.

Transition

BASEBALL

Table with columns for team names and scores for various transition games.

Golf

Table with columns for team names and scores for various golf events.

European Soccer

ENGLISH FIRST DIVISION

Table with columns for team names and scores for various English soccer games.

FRENCH FIRST DIVISION

Table with columns for team names and scores for various French soccer games.

Tennis

WORLD GROUP SEMIFINALS

Table with columns for player names and scores for various tennis matches.

AMERICAN ZONE FINAL

Table with columns for player names and scores for various tennis matches.

Davis Cup

WORLD GROUP SEMIFINALS

Table with columns for player names and scores for various Davis Cup matches.

AMERICAN ZONE FINAL

Table with columns for player names and scores for various Davis Cup matches.

Golf

NATIONS CUP

Table with columns for team names and scores for various golf events.

SEMI-FINALS

Table with columns for player names and scores for various golf events.

CFL Standings

Estimate Division

Table with columns for team names and scores for various CFL games.

Finals

Table with columns for player names and scores for various CFL games.

